

EUROPEAN NEWS

Report on internal market disappoints

By William Dawkins in Brussels

EUROPEAN Commission officials yesterday admitted that a major report on the benefits of building a free internal market was late and looked set to produce less tangible results than expected.

However, they said that a preliminary reading of the 30,000 pages of consultancy studies gathered for the report broadly supported separate estimates that needless trade and technical barriers were costing European Community industries Ecu 120bn (\$530bn) per year.

Mr Jacques Delors, the Commission President, is understood to have wanted the study, the Costs of a non-Europe, to be ready in time for Lord Cockfield, the internal market Commissioner, to present his controversial proposals to reduce discrepancies in indirect taxation to member states earlier this month.

Officials now say the study will not be ready for publication until next February or March because it has taken longer than expected to bring together the 14 consultancy reports.

The study's remit is to quantify the value of the EC's drive to create a single market for goods and services by 1992. Private consultants were commissioned to study sectors from food to cars, textiles, construction

East Germany widens clampdown on 'Greens'

By Leslie Collett in Berlin

EAST GERMANY widened its arrests of independent environmental and human rights campaigners yesterday, evoking sharp protests from the West German Government, Social Democrats and Greens.

The East German authorities took 12 people into custody on Wednesday night after arresting five members of an ecology and human rights group during a search in the rectory of East Berlin's Zion Church. The 12 East Germans, along with 150 others, had protested the earlier arrests in a night-time vigil before the church.

Protestant church officials in East Berlin said numerous speakers of independent peace and civil rights activists were also searched. At least 20 young people were detained and 17 later released.

A spokesman for the opposition West German Social Democrats (SPD) said it would intervene on behalf of those arrested with the ruling East German Communist Party.

after the church intervened with the authorities. Those arrested could face charges under the Criminal Code's all-encompassing Paragraph 218 which provides for a maximum five-year sentence.

The people arrested in the church rectory published an illegal environmental and human rights bulletin.

Mr Othfried Henning, State Secretary in West Germany's Ministry of Inner German Relations, called the arrests a "distinct setback" for church-state relations in East Germany.

A spokesman for the opposition West German Social Democrats (SPD) said it would intervene on behalf of those arrested with the ruling East German Communist Party.

Greek economy chief resigns over incomes

By Andriana Ierodiakonou in Athens

MR COSTAS SIMITIS, the Greek Economy Minister, resigned yesterday after Dr Andreas Papandreu, the Prime Minister, bowed to trade union pressure and retracted key elements of the government's anti-inflationary incomes policy.

The Prime Minister's move revived speculation that he might hold early elections next spring, rather than wait until the end of his second four-year term in June 1988.

The 1988 incomes policy, which together with income tax cuts was expected to give public sector workers a real pay rise of at least 2 per cent next year, was announced by Mr Simitis on Tuesday. It instantly provoked a

furious reaction and strike threats from unions.

The minister's departure marks a victory for the unions and for radical left and populist elements in the Socialist cabinet, who had long fought Mr Simitis over the need for economic restraint in 1988, beyond the expiry of an economic stabilisation programme adopted at the end of 1985.

Over the past two years Greece has reduced its current account deficit from \$3.3bn to \$1.2bn, the net public sector deficit from 18 per cent of GDP to 13 per cent of GDP and inflation from 56 per cent to 16 per cent, at the cost of a plunge in the Socialist government's popularity.



Costas Simitis departure signals end of stabilisation

Swedish union group issues wages claim

By Sara Webb in Stockholm

THE SWEDISH Trade Union Confederation, known as LO, said yesterday that it wanted a real increase in wages in the region of 7-8 per cent for its members next year. This increase is almost double what the Social Democratic Government would like to see.

The LO also said it wanted higher increases in wages for its lowest-paid union members to even out wage disparity, and compensation for wage drift in 1987.

The proposals put forward by LO's general council will form the basis for negotiations with employers next year for the 1988 wage agreement covering its 2.3m members.

As such, they go far beyond the Government's set aims. Mr Kjell-

Ofot Feldt, the Finance Minister, said that he intended to set a limit of 4 per cent for wage increases in the state sector.

This view has been backed by some Swedish banks which said in their autumn economic forecasts that wage increases were expected to be about 7 per cent next year, compared with 6.8 per cent in 1987.

High wage drift in the private sector during 1987 - especially for building and construction workers in the Stockholm and Gothenburg areas - has led public sector unions to demand compensatory increases.

The problem for the Government is that the wage negotiations (which recently have been conducted every two years) will fall in an election year this time around.

Tim Dickson reports that national self-interest has taken over as the summit deadline for CAP reform approaches

High expectations recede as ministers bow out of talks

GIVEN that the patchwork edifice of the European Community's costly farm support system took the best part of 25 years to construct, it was always fanciful to suppose that the problems of the Common Agricultural Policy could be sorted out in the space of a mere six months of negotiation.

As the EC's Farm Ministers abandoned their latest attempt to agree spending cuts in the early hours of yesterday morning - thus throwing a bigger than ever question mark over the outcome of the summit meeting of heads of state in Copenhagen next week - it was difficult not to conclude that the high expectations recently for significant farm policy reform have been badly wide of the mark.

True, the situation is not yet irretrievable. It is just possible that the Community's Foreign Ministers, at a meeting in Brussels on Sunday and Monday, and the heads of state themselves in Copenhagen later in the week, could bridge the still wide gulf that continues to divide member states.

But few are betting on it. Whatever else, the sometimes



absurd and often tedious pantomime of the last 10 days has highlighted the huge obstacles that continue to lie in the way of a cheaper, more coherent and more market-orientated CAP.

The difficulties go well beyond the political power of the farm lobby in Europe which remains persistent, not to say pervasive. They include the diverse agricultural structures in the Community, ranging from simple family units to huge factory farms and exacerbated by the enlargement

of the EC at the beginning of 1986 to include Spain and Portugal.

Above all, though, they reflect confusion and uncertainty in Brussels and elsewhere over the most practical alternative to the long-standing but increasingly unacceptable regime of guaranteed price supports.

Two factors explain a growing sense of optimism among reformers that Copenhagen would prove to be that long elusive waterbed in the history of the CAP.

The first is that agriculture in the past year has become a major international trade issue. Europe and the US - the world's two agricultural superpowers, as depicted recently by Mr Graham Avery, a senior Commission official - are generating vast food surpluses and are now in serious and expensive conflict on world markets.

The difficulties go well beyond the political power of the farm lobby in Europe which remains persistent, not to say pervasive. They include the diverse agricultural structures in the Community, ranging from simple family units to huge factory farms and exacerbated by the enlargement

both sides of the Atlantic to try to reduce the level of farm supports in the framework of the General Agreement on Tariffs and Trade.

Much more immediate pressure, however, has been applied by the Community's own budgetary crisis, created almost entirely by the soaring costs of agricultural price support (up 40 per cent since 1984).

The main reason for urgency lies in the request by Mr Jacques Delors, the Commission President, for a substantial increase in the European Community's resources. EC heads of state, notably Mrs Margaret Thatcher, Britain's Prime Minister, made it clear in June that this appeal will not be met unless agricultural spending is brought under control by binding and effective "budget stabilisers".

Stabilisers are a raft of proposals put forward by the European Commission in the late summer which would impose automatic price penalties and other subsidy cuts on farmers once production targets (or thresholds) for individual commodities have been breached.

They cover a wide range of products but by far the toughest and most important relate to the cereals and oilseeds sectors where costs have jumped sharply in recent years and the forecasts for future production have set the alarm bells ringing in Brussels. Hence the sharp and automatic price cuts proposed in the Commission's package.

Far from concentrating minds, however, the impending summit deadline seems to have encouraged farm ministers this week to dig in their heels and strong national self-interest has shone through.

Mr Francois Guillaume, the French Agriculture Minister, is widely thought to have next week's French elections in mind and while there have been few demonstrations recently in

In the early hours yesterday EC farm ministers abandoned their latest attempt to curb the spiralling cost of farm spending. EC foreign ministers will now try to thrash out a package of farm reform to present to heads of government in Copenhagen next week. In this article summing up political, economic and social factors involved in the complex negotiations, we conclude our series on this important issue

Brussels to match his own display of anger as a farm leader - he once persuaded a cow to accompany him into the Council of Ministers building - the hostile reaction of the French agricultural lobby to a restrictive package remains a reality.

Mr Guillaume's alternative plan for a stabiliser covering the whole arable sector and based on penalties for high yields has been sharply criticised by Britain and the Commission as both unworkable and potentially more expensive. More significantly, it has altered the perception that France is genuinely willing to embrace a more market-orientated approach.

No such illusions are harboured in relation to Mr Ignaz Kiechle, the cheery West Ger-

man Minister whose emotional outbursts against automatic price cuts for cereals provided the only bit of real theatre for the other participants.

Mr Kiechle's staunch support for the small and largely inefficient, but politically significant, cereal producers of southern Germany best illustrates the problem of devising a common policy to suit all types of farmers. In an ideal world, most policymakers in Brussels admit, support prices under the CAP would be sharply cut to what economists call the "market-clearing level" and the savings re-directed to poorer farmers in the form of direct income supports.

As this week's and previous negotiations on CAP reform have amply confirmed, however, the farm ministers consistently refuse to swallow the tough price medicine while proposals for a system of direct income support (not on the table at the moment) have been widely criticised as impractical.

Previous articles in this series appeared on October 29, November 4, 12, 18, 20, 24 and 26.

Lemon jibe as Turkey's ruling party faces electoral squeeze

By David Richards in Ankara

WITH three days to go before Sunday's elections, the main issue in Turkish politics seems to be whether or not it is shocking to compare the nation with a lemon.

The ruling Motherland Party (MP) has taken half-page advertisements in all the national dailies to denounce the main opposition leader, Professor Erdal Inonu, for warning that Turkey would be "squeezed like a lemon" if the MP returns to power.

"A national disgrace," say the advertisements. "No human being calls his own nation a 'lemon' just to gain votes."

The advertisements seem to be a response to an apparent edging forward by Professor Inonu and his Social Democracy Populist Party (SDPP).

In several cities, voters seem to be turning back to the SDPP. In Ankara, this has been helped by an incompetent MP administration which has left many houses unheated because of a coal short-

age and streets obstructed by apparently needless construction work.

Even so the opinion polls, not always a reliable indicator in Turkey, suggest that there is a gap of 15 to 20 per cent between the MP and the SDPP, with the ruling party enjoying the support of about 40 per cent of voters.

With the electoral system skewing the result in favour of the largest party, Mr Ozal can anticipate a majority of about 25 seats in the next parliament.

This is well short of the 75 to 80 seat majority the premier wants in order to be able to amend the constitution single-handedly.

The True Path Party of the former prime minister, Mr Suleyman Demirel, looks as if it will score a poor third with between 50 and 60 seats. This leaves Mr Demirel with little chance of returning to power, especially if as is not uncommon in Turkey -

some of his deputies cross over to the government side after the elections.

The only cheerful face among the leaders of the smaller parties is that of Professor Necmeddin Erbakan. If he gets into parliament, he would probably exert a strong pull on the fundamentalist wing of the MP.

Mr Inonu, and other opposition leaders, say that Mr Ozal is squeezing the incomes of ordinary Turks and his re-election would mean more austerity.

Mr Ozal says that he is enabling the country to "skip an historical stage" and pass directly from backward agricultural society to a 21st century industrial economy.

The message is self-confident and more than a little materialist. Mr Ozal's goal seems to be an industrialised Turkey of more than 100m people, playing a major part in the European Community in the next century.

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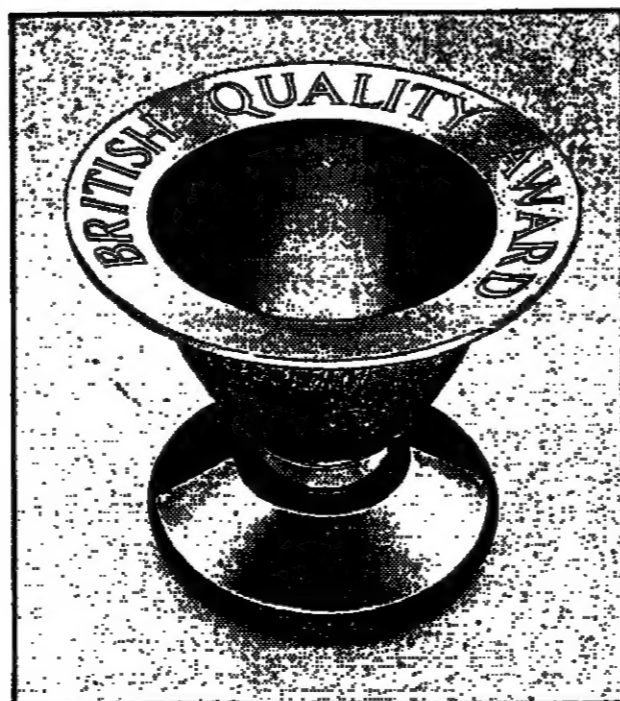
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AMERICAN NEWS

Reagan faces tough battle on INF treaty

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Reagan faces a hard fight within his own Republican Party in his campaign for speedy Senate ratification of the super-power treaty banning intermediate range nuclear forces (INF).

Mr Howard Baker, White House chief of staff, said the President is "gonna go full bore" in his efforts to win approval of the treaty, to be signed with Mr Mikhail Gorbachev, the Soviet leader, at the Washington summit next month. The President does not want any amendments or reservations attached to the treaty, Mr Baker said.

Many rats as good the chances that the INF treaty will achieve the necessary two-thirds majority vote in the Senate, but the pact faces opposition from conservative Republicans and scepticism among some Democrats, notably the influential Senator Sam Nunn of Georgia. Debate is expected to start on the treaty early next year.

The last US-Soviet control pact signed between the US and the Soviet Union - the 1979 Salt II treaty setting limits on strategic ballistic missiles - was never ratified by the Senate.

Mr Baker, briefing reporters in Santa Barbara where Mr Reagan was celebrating Thanksgiving, linked INF ratification to further progress on talks to reduce strategic weapons. It would be "foolish in the extreme" to wait, he said.

"It's Ronald Reagan's treaty. So I'm sure that the President will be anxious for the Senate to ratify this treaty in this form because he negotiated it," Mr Baker declared.

White House officials concede there is a danger that the INF debate could become caught in the cross-currents of next year's presidential election campaign, hence the appeal for Republican party loyalty to Ronald Reagan.

Yet of the Republican presidential candidates, only Vice President George Bush has given unequivocal support for the treaty. Congressman Jack Kemp and General Alexander Haig, a former Nato commander, have



Reagan - thorny path ahead

denounced it, and Senator Robert Dole of Kansas has offered only lukewarm backing, citing concern about verification.

Mr Reagan also faces opposition from a small group of up to 10 conservative Republican Senators led by Mr Jesse Helms of North Carolina, many of whom feel betrayed by the deal with the Soviet Union. Using Senate procedural rules, these Senators could block the treaty for several months.

The White House therefore will be forced to largely rely on the Democrat majority to deliver the votes for ratification. While the Democrat leadership is broadly in favour of the deal, Senator Nunn, chairman of the Armed Services committee, has reservations.

Senator Nunn has floated the idea of linking the phasing out of medium and shorter range missiles to reductions in Soviet conventional forces in Europe. If the Soviets failed to address the imbalance in tanks and troops, Senator Nunn says a residual number of INF missiles should be retained by NATO.

Senator Nunn said this week: "It's not necessary to ratify a treaty in any particular administration. It might be helpful to serve notice on the Soviets that we are going to have some continuity in policy."

Latin American summit to debate debt

By David Gardner in Acapulco

PRESIDENTS of eight Latin American nations are to meet in the Mexican resort of Acapulco today in the first such summit outside the confines of the US-dominated Organisation of American States.

"This is the first ever meeting called by Latin America's principal leaders with wholly Latin American participation, and a purely Latin American agenda," one regional foreign minister underlined.

The landmark meeting will concentrate on foreign debt, intra- and extra-regional trade and Central America, all issues on which there are considerable differences with Washington.

The Group of Eight, as the new forum is known, was set up last December in Rio de Janeiro, and emerged from the expanded Contadora Group (Mexico, Colombia, Venezuela, Panama, Brazil, Argentina, Peru and Uruguay) which since 1983 has promoted a negotiated settlement to the Central American conflict.

Its other main antecedent is the so-called 11-nation Cartagena Consensus, formed in 1984 to press the region's debt and trade concerns on creditor countries.

The much criticised Contadora group's achievement has been to hold open a door to peace long enough for Central America's leaders to come through with their own simplified plan, signed in Guatemala in August and - if it works - due to be implemented by early January.

The Acapulco summit is expected to respond to peace hopes by reviving an abortive plan put together by Mexico and Argentina this May to reflect the Central American economies.

Since Mexico precipitated the foreign debt crisis in 1982, Latin America has paid over \$150bn in interest on total borrowings which have risen to \$275bn, over two-thirds of it owed by Brazil (\$113bn), Mexico (\$108bn) and Argentina (\$54bn).

The eight presidents are nevertheless expected to issue a tough statement on debt and trade this Sunday, galvanised by the creditors' lack of will to find an enduring solution.

Mr Jesus Silva Herzog, Mexican Finance Minister in 1982-86, and main architect on the debtors' side of the so-called "payors' cartel", told the FT: "This is the first time since the debt crisis began that the situation of the big three (Latin American debtors - Brazil, Mexico and Argentina) is similar. We could see a new phase beginning, with more co-ordinators, or radical approaches."

Barbara Durr in Lima reports on a new threat to the Government of President Garcia in Peru 'Robin Hood' guerrillas on the warpath

A NEW rural guerrilla front has opened in Peru, posing another threat to the Government of President Alan Garcia. The Tupac Amaru Revolutionary Movement (MRTA), splashed spectacularly on the front pages and national television with brief takeovers of two towns in the north-west jungle department of San Martin on November 6 and 7.

The Minister of the Interior, Mr Jose Barrios Burga, initially dismissed the MRTA's actions in San Martin as a show for the press. But the Government then went into reverse and President Garcia last week declared much of the department a military emergency zone and sent in the army.

With the addition of San Martin, parts of seven of Peru's 24 departments, including Lima, the capital, are now under a military state of emergency.

In most of the emergency zone, the principal threat up to now has come from the fanatical Maoist guerrillas of Sendero Luminoso. Since Sendero began its armed re-

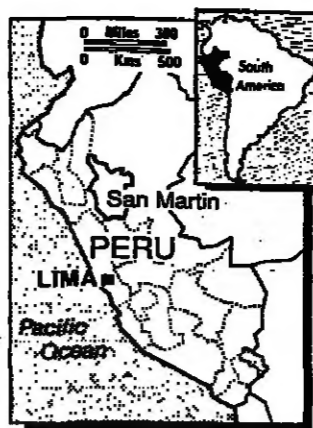
bellion in 1980, 10,000 people have died, many killed in repressive sweeps by the army and police.

While Sendero Luminoso wants to demolish Peruvian society to rebuild a peasant-based communist system - a programme many have compared to Pol Pot in Cambodia - the MRTA aims for a more conventional socialist government and styles itself on the Cuban and Nicaraguan revolutions.

In spite of connections to Colombia's M-19 guerrillas, it claims that it receives no financing from abroad. Its money comes from "war taxes" on companies and banks and from robberies, according to the MRTA.

The MRTA, launched in November 1984, was previously only an urban guerrilla group whose main actions were what is known in guerrilla parlance as "armed propaganda".

They hijacked trucks carrying food, which they then distributed Robin Hood-style to the poor, and bombed targets such as the US Embassy, US corporations and Peruvian banks, which they regarded as



San Martin and Lima

symbols of capitalist oppression. Their bombings have usually claimed few victims.

In part for its Robin Hood activities and because it differentiates itself from the bloodier Sendero Luminoso, the MRTA has won the odd distinction of being "the good guerrillas".

Unlike Sendero Luminoso, which shuns publicity, the MRTA has tak-

en pains to present itself and its new rural guerrilla front to the Peruvian public. Demonstrating a sophisticated sense of propaganda, the guerrillas allowed a television crew to film their takeover of the small town of San Jose de Sisa on November 7, gave press interviews and were photographed dancing and laughing with local people.

Commander Rolando, its commander-in the north-west region, called on the left wing of the ruling American Popular Revolutionary Alliance, the United Left, the largest electoral left coalition, and the Church to form a united front for peace and justice.

President Garcia's swift reply was to send the army to the area. He also called on the MRTA, "because of the character of the new armed group," to give up its weapons and integrate itself into the democratic process "to save Peru from blood and violence."

The MRTA has responded with a nine-point platform of demands that includes expulsion of foreign banks, nationalisation of foreign

companies, a debt moratorium, salary increases, subsidies for basic goods and freedom for political prisoners - an agenda not markedly different from that of the more radical legal left parties grouped in the United Left. Many analysts say that the MRTA's main political goal is, in fact, radicalisation of the left.

This week, the left is holding a "National Popular Assembly" in the shantytown district of Villa El Salvador in Lima, where its agenda for the next several years is to be decided.

The MRTA has called on President Garcia to consider negotiating with the assembly, on which it has had significant influence through above-ground extreme left-wing movements. The President has rejected this proposal.

Mr Garcia, whose popularity has fallen dramatically, now finds himself in even worse trouble. His bank nationalisations have resurrected the political fortunes of the right wing and now he faces an increasingly radical left wing with considerable popular appeal.

UK bank creditors join \$4.5bn Brazil financing deal

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BRAZIL'S main British bank creditors have agreed to join a \$4.5bn interim financing package designed to end a nine-month moratorium on Brazilian interest payments on its foreign debt.

Their agreement follows early opposition to the financing from two of the main creditors, National Westminster and Barclays. After intensive negotiations, the nine UK banks con-

cerned have either made a commitment to the package or are expected to shortly. National Westminster, understood to have been the most vociferous in opposing the deal, indicated yesterday it had responded positively to the financing request. Barclays also said it had committed itself yesterday.

However, the UK banks will make a firm statement about their concerns over the package, underlining their view of the importance of a medium-term IMF programme for the country and the necessity for Brazil to keep current on interest payments in the new year.

The statement will be added to a package of acceptance being sent to Citibank, the leading creditor bank, and to the Brazilian central bank. Initial opposition to the deal

was based partly on the view that it had been cobbled together in Washington to allow US regulators to avoid an imminent downgrading of Brazilian debt.

The agreement by the British banks more than a week before the December 8 target date should boost the deal's prospects. Most indications from other financial centres have so far been positive, but it is too early

to tell whether the deal will be completed. The package calls for the 70 or so main creditor banks - responsible for more than 85 per cent of its medium-term bank debt - initially to advance \$1bn to Brazil between December 14 and January 11, and for Brazil to repay \$1.5bn, taking care of the interest due during the last three months of this year.

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Panama asked to oust troops

THE Panamanian Legislative Assembly has approved a non-binding resolution calling on the government to oust the US military's Southern Command in retaliation for a US Senate vote to lower aid to Panama. Reuter reports from Panama City.

The US maintains 10,000 troops in Panama at its Southern Command headquarters, which co-ordinates US military activities in Central and South America.

Members of the legislature said the resolution was a response to a vote last week by the Senate Foreign Relations Committee to recommend that all but humanitarian aid to Panama be suspended until civilian rule is restored.

Air Canada hit by strike action

AIR CANADA'S ground workers said they would launch the first of a series of rotating strikes in a pay dispute in Toronto, Montreal and Vancouver.

The International Association of Machinists said the Toronto walkout by 2,300 mechanics, ramp attendants, cargo agents, aircraft cleaners and baggage handlers would last for 24 hours starting yesterday.

State-run Air Canada carries about 30,000 passengers on 450 flights daily. The airline said the carrier would try to keep flying and was committed to maintaining service to contract clients, such as Lufthansa, the West German airline.

The union took a strike vote on November 4 and the threat of rotating walkouts has cost Air Canada a reported \$1.5m a day in lost or cancelled bookings.



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OVERSEAS NEWS

FAO chief calls for big relief effort in Ethiopia

A SENIOR United Nations aid official said yesterday that up to 10m Ethiopians could face starvation because of drought and the country needed as much food aid now as during the disastrous 1984-85 famine, Reuter reports from Rome.

Mr Peter Newhouse, head of the UN Food and Agricultural Organisation's Global Information and Early Warning System, said: "Only a massive relief effort will avert widespread famine."

He said that the Addis Ababa government had recently estimated its food relief needs for 1988 at more than 1m tonnes. He said this "is on a scale with needs during the 1984-85 crisis" in which tens of thousands of people died.

Mr Newhouse said a FAO crop assessment team was currently in Ethiopia "but on the basis of preliminary analysis we think relief needs will be greater than the government figure rather than lower."

He said 5-6m people were in the affected area and this figure could rise.

Aid pledges for Ethiopia were coming in all the time and had now passed 500,000 tonnes, about half the amount needed. "I think that food aid will be mobilised. There is a tremendous recognition of the problem."

But he said there would be great difficulty in getting the food to those who needed it quickly.

Guerrilla operations have disrupted aid deliveries in the worst affected areas of Eritrea and Tigray but Mr Newhouse said that in any case transporting such huge supplies of food would present major logistical problems.

"You are talking about moving vast quantities, over 1m tonnes. This strains the whole logistic infrastructure in the country," he said.

As well as food aid Ethiopia would need help with trucks, port handling facilities, fuel and a whole range of other logistic support.

He said that aid would have to be delivered at a rate of 100,000 tonnes a month in 1988. "I think only once during the 1985 famine did deliveries reach that level. So it's a major strain on the distribution system."

"I think it is now inevitable that there has to be airlifting of supplies. I don't think we can cope through the normal distribution chain," he said.

But he said airlifts could only transport a small proportion of a huge amount of supplies and would

be used to take urgent aid to worst hit areas.

Mr Newhouse said famine threatened Ethiopia because of large scale failure of the current harvest, which accounts for 80 per cent of the country's production.

Damage from drought was particularly bad in Eritrea and Tigray but large parts of Wollo and Hararge as well as isolated pockets elsewhere were affected.

The result would be severe shortfalls throughout 1988. "Now that this main season harvest has failed in these areas it is now absolutely certain that there is a major problem until the next main season harvest comes at the end of 1988. There is no other source of food apart from the small secondary harvest in the early part of the year," he said.

He added: "We are receiving reports of people moving into camps, looking for food. That is always the first sign."

"It is going to develop and it is going to develop rapidly unless we can pump food into these areas on such a scale to keep the people at home. We want to avoid the opening of camps, we want to avoid people trekking across country looking for food, this is the aim."

Pretoria spurns UN on Angola

By Anthony Robinson in Johannesburg

SOUTH AFRICA itself, not the United Nations, would decide when to withdraw its forces from Angola, Mr Fik Botha, the Foreign Minister stated after rejecting a Security Council resolution calling for unconditional withdrawal of South African forces.

South Africa, he added, reserved the right to ensure its security and said its forces would pull out "when all other foreign troops and military advisers were withdrawn or when South Africa's security interests were no longer directly affected by the present Soviet/Cuban supported campaign."

South Africa has admitted supporting Unita rebels in fighting over the last two months, in which it claims over 4,000 Angolan soldiers have been killed and \$1bn of Soviet military equipment destroyed.

Mr Botha blamed the Angolan MPLA Government for the 12-year civil war. He said the war broke out after the MPLA had refused to abide by its January 1975 Alvor agreement with Portugal and two other liberation movements, the FNLA led by Dr Holden Roberto and Unita led by Dr Jonas Savimbi.

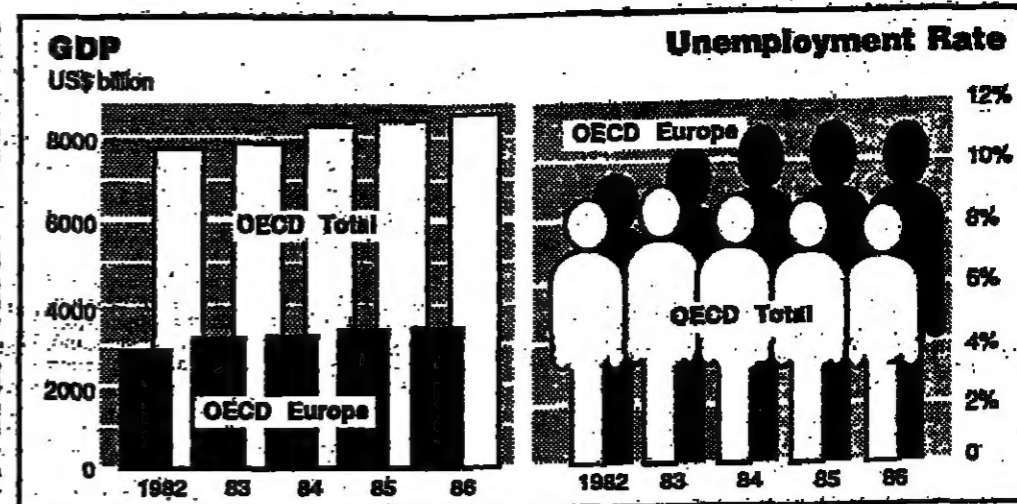
Ian Davidson on a study of the barriers to growth in Europe
Questioning conservative wisdom

A 600-page study of the barriers to European growth, published by Washington's Brookings Institution, urges further liberalisation of labour and product markets. But it also argues liberalisation of labour markets and cutting unemployment may need the stimulus of faster economic growth.

At the same time, the study (edited by Charles Schultz and Robert Lawrence) discounts a number of the conventional explanations for Europe's low growth and high unemployment. Whatever the difficulties caused by the large size and growth of European welfare states, the authors could not find evidence that generous unemployment compensation was a major cause of rising unemployment.

Similarly, while they argue for reform of the taxes on capital income in Europe, they did not find current European tax systems played a significant role in reducing European investment over the past 20 years.

They did not find Europe was confronted with faster change in the structure of labour demand or in its international competitive environment, nor that rising unemployment had been caused by automation or trade with developing countries. Europe was not penalised by relatively high real interest rates or costly financial markets, and the reluctance of European governments to adopt more expansionary fiscal policies could not



be rationalised on solvency grounds. And in the short run, the external constraint was not a primary explanation for Europe's low growth: any government could expand domestic demand and find ways to finance the accompanying trade deficit without a serious deterioration in its exchange rate.

In some European countries, such as Germany, France and Italy, the study finds there is room for non-inflationary stimulus, on the grounds that the unemployment rate is above that which might be needed to avoid speeding the rate of inflation. The Non-Accelerating Inflation Rate of Unemployment.

But the purely Keynesian component of the unemployment problem is not very large, and in the UK the authors could find no evidence that wage inflation had been behaving in a way indicating a natural rate of unemployment below the current rate.

Significantly, the study does not endorse the simple thesis that Europe's high rate of unemployment can be attributed to the wage explosion of the late 1960s and the subsequent failure of wage moderation to adjust the rate of wage differentials.

The component of unemployment in Germany, France, Italy and the UK traceable to this factor is no longer large. Instead, the authors believe most of the rise in unemployment stems from two sources, both associated with the latest buzz-words: hysteresis, a new way of saying markets are imperfect, and unsatisfactory situations perpetuate themselves.

The first factor, they believe, is rigidity in the fixing of wages, especially in the UK but possibly also in other countries. The second is increasing structural rigidity in European labour markets, characterised by a reduction of labour force flows among firms, industries and regions into and out of unemployment.

In short, they say: "Europe's sustained experience with high and rising unemployment may have led to protective mechanisms and rigidities that helped perpetuate the unemployment."

The central thesis of the Brookings study is that the authors take issue with the current conservative wisdom in Europe - that rigidities and inflexibilities in labour and other markets will only be wiping but by persistent discipline, and that expansionary macro-economic policies at the present time would relax that discipline before the cure was effected.

They argue, on the contrary, that the prospects for structural reform through liberalising markets and increasing mobility of resources would be much better, politically and economically, in an environment of growing output and employment.

Virtuous circle
However necessary the recent restrictive policies may have been to reduce inflation and to moderate real wage aspirations, they say, "there is little evidence they have improved the flexibility and adaptability of European economies. Indeed, our discussion of the possible hysteresis component to labour market rigidities suggests slow growth may have made matters worse."

European unemployment has lost some of its force to moderate wages, and it may be exacerbating labour market rigidities. To some extent high unemployment creates the conditions for its own perpetuation. If so, an initial successful effort to lower unemployment could pay multiple dividends and help turn a vicious circle into a virtuous one through its effect in improving the structural characteristics of Europe's labour markets.

It is the likelihood of a positive relationship between employment growth and a reduction of rigidities that is at the core of our preference for a policy combining expansionary macro-economic policies with structural reform.

Unemployment benefits. Gary Burtless of the Brookings Institution contributes a detailed examination of the role of unemployment benefit schemes in Britain, France, Germany, Sweden and the US. "I find little to support the view that differences in jobless pay can plausibly explain the differential trends in unemployment in Europe and the United States. For two decades jobless benefits have been less generous in the United States than in Europe, yet for most of the past 20 years, unemployment has been higher in the United States than in Europe. Furthermore, the trends in joblessness within individual countries do not correspond well to trends in the generosity of benefits. Only in France has a significant rise in joblessness coincided with a major increase in the generosity of unemployment benefits."

The most plausible interpretation of the evidence, he concludes, "is that generous jobless benefits have slowed down the re-employment of jobless workers in three of the four European countries examined - Britain, France and Germany. But this effect of jobless pay is far too small to explain the large rise in unemployment durations in Europe or the enormous rise of unemployment in Britain, France and Germany compared with those in Sweden and the US."

Pay Compression. Robert Lawrence of Stanford University argues the main source of joblessness has come from the hire side of the hire-and-fire balance: people are not much more likely to lose their jobs, but unemployment among new entrants to the labour force and inexperienced workers has increased.

The main source of increased joblessness is the reduced probability of the unemployed finding jobs: thus longer unemployment accounts for most of the growth of European unemployment. He argues pay compression, or the reduction of wage differentials, may help to explain these facts, because it discriminates against hiring outsiders (whose merits are unknown) or the young (whose inexperience is a disadvantage).

This interpretation also explains the paradox that long job tenure is perceived as a 'good' in Japan but as a 'bad' in Europe. In Japan, employers have considerable control over their wage structure and in the largest companies wage-tenure profiles are very steep. Indeed, profiles are considerably steeper in Japan than in the US, where they are in turn steeper than in Europe.

British dilemma
Trade Performance. Robert Lawrence of the Brookings Institution rejects the proposition that foreign trade has in general been linked to the decline in European growth rates, though the UK is a major exception. On the evidence, France, Germany and Sweden were in the past able to match OECD growth rates of 3 to 4 per cent without requiring improvements in their terms of trade trade actually added to output and employment, while the major source of the declining share of manufacturing in some economies stems from changed patterns of domestic use.

The British dilemma is more disquieting, he says. "Judged by almost all criteria, the UK has deindustrialised over the past two decades. Trade has helped a declining domestic use of manufactured goods, and losses due to trade accounted for almost half the 31 per cent decline in manufacturing employment between 1973 and 1986."

He argues that the fairly recent deterioration in the French trade performance is probably due to French industrial policies since 1980 (i.e. under the previous Socialist government). "In the UK the problems appear more endemic."

Financial Markets. Robert Allen of Chicago University accepts that the comparative weaknesses of the financial markets in Western Europe - the lack of liquidity, the paucity of information, the small scale, the segmentation by 20 currencies - may well lead to higher interest rates. But he argues that these institutional shortcomings are overshadowed by the lack of investment demand in Europe and the lower level of anticipated profitability.

External Constraints. Richard Cooper of Harvard University analyses six episodes in post-war history, in which European countries were apparently forced by balance of payments problems to adopt slower growth policies: the UK in 1974-76, Italy in 1975-77, Germany in 1978-81, France in 1981-83 and Denmark in 1979-84.

"In the end, changes in domestic policy occurred in all of the episodes, but it was not the external constraints that forced the change in policy, but discomfiture by domestic policy-makers with the consequences of their current line of policy. The countries could have borrowed much more."

"If the OECD countries act together in raising their non-wage government expenditure by 1 per cent of GDP, with accompanying monetary policy, the output multipliers are increased from 0.9 to 1.5 in the case of individual countries, to 2.2 when European countries act together, to 2.5 if all OECD countries act together. The current account deterioration drops to about one third the level (relative to GDP). If Europe acts together as compared with individual countries acting alone."

The editors stress that Germany, as Europe's strongest economy, has a key role to play in economic expansion, and argue it could grow 1 per cent faster than the OECD for three years without driving its current account into deficit. Richard Cooper suggests the other European countries might need to co-ordinate faster economic growth without waiting for Germany: "It is important for Europeans to appreciate the German phobia about current account deficits. The Federal Republic, the largest country in Europe, is one of the most reluctant to take steps that risk worsening its current account. It would much rather be a caboose than a locomotive."

Barriers to European Growth. A Presidential View. Robert Z. Lawrence and Charles L. Schultz, editors. Brookings Institution, Washington DC

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UNISYS

The power of 2

Sir Joh refuses to resign after party revolt

BY CHRIS SHERWELL IN SYDNEY

SIR JOH BJELKE-PETERSEN yesterday repudiated a constitutional crisis when he refused to resign as state premier of Queensland after being replaced as leader of the state's parliamentary National Party.

The Australian political and social establishment was last night watching developments unfold with riveted interest, because it appeared to mark the end of an era. It also echoed the national crisis of 1975 in which the Whitlam Labour government was dismissed in Canberra.

The new state National Party leader and putative Queensland Premier is Mr Mike Ahern, the former state Health Minister, who became a backbencher when 76-year-old Sir Joh sacked him and two other ministers earlier this week.

Mr Ahern won the overwhelming support of his parliamentary colleagues at a special meeting which removed the maverick Sir Joh yesterday. He said it was only a matter of time

before he became state Premier.

In refusing to resign as Premier, a post he has held for 20 years, Sir Joh placed Sir Walter Campbell, the Governor, in a difficult position. But the Governor chose not to sack him immediately, apparently preferring to await fresh developments.

The confusion may finally be clarified in Parliament, which Sir Joh has reconvened for next Thursday on the Governor's advice. But the position then may still be complicated by the fact that Sir Joh made the Speaker a minister in the wake of this week's sacking.

The three dismissals ordered by Sir Joh followed an earlier attempt by him to remove five members of his Cabinet. The Governor successfully counselled against such drastic action.

The five included Mr Bill Gunn, the Deputy Premier and Minister of Police. Unlike Mr Ahern he remains in Sir Joh's Cabinet. The Cabinet in turn continues to run the state government, although technically

the premiership should now pass to Mr Ahern.

Speculation increased last night that Sir Joh might be persuaded to resign or retire before next Thursday's sitting, thereby avoiding constitutional embarrassment when Parliament reconvenes.

Such a move might also avoid the need for an early election. The Labour Party opposition, itself badly split in Queensland, said last night that an election offered the way through the morass. But this was disputed by the opposition Liberals, who argued that it should be settled in Parliament.

This week's drama marked the climax of months of growing controversy within the Queensland National Party over Sir Joh's long leadership. Earlier this year the Premier launched an abortive bid to seize the Opposition leadership federally, and then suffered grave embarrassment over a continuing inquiry into official corruption.

OECD backs NZ farm policy

BY DAI HAYWARD IN WELLINGTON

THE Organisation for Economic Co-operation and Development has endorsed the economic policies of the New Zealand Labour Government. It says reduced support for agriculture and manufacturing will eventually lead to a healthier economy.

The organisation, which is made up of the leading Western industrial nations, says policies pursued by previous governments created distortions, protecting farmers from changes

from world markets. Government protection for farming had eventually accounted for 20 per cent of the agricultural industries, the report says. New Zealand farmers would be able to adjust more easily if other countries reduced their own assistance to their farming industries, it says.

The report forecasts that the importance of agriculture to the New Zealand economy would decline as manufacturing industries

expanded. In the 1970s agricultural exports made up 30 per cent of the country's total exports. This has dropped to just over 50 per cent in the 1980s.

The current policy objectives of the Government are not to guarantee a reasonable standard of living to any particular commercial group but to have a tax and the welfare system to provide a safety net for those truly in need.

Ershad bans Dhaka rallies and marches

BANGLADESH has imposed a 30-day ban on marches and rallies in Dhaka to counter a fresh wave of opposition protest against President Hossain Mohammad Ershad, Reuters reports from Dhaka.

All rallies, processions, demonstrations and carrying of lethal weapons in the capital are banned for 30 days, the city's police chief said on Wednesday night.

The ban was imposed after the 21 opposition parties announced plans for fresh rallies in the next three days in a warm-up to a new 72-hour general strike called for Sunday.

Mr Nasrullah Khan, the Dhaka police chief, said in his order that the ban was needed to ensure that protesters did not disturb peace. "The environment for normal functioning of offices was being destroyed during the last few days by rallies and demonstrations organised by some political groups," he said.

He issued the ban after police had arrested about 20 opposition activists at anti-government rallies in Dhaka on Wednesday night. Among those arrested was Mr Syed Ishtiaq Ahmed, a former Attorney-General of Bangladesh.

The opposition called the latest strike after 198 hours of anti-government stoppages it has organised since November 10. That series of strikes ended last Tuesday. Eleven people, including two policemen, have been killed in bombings and police shooting during the action.

Sunday's stoppage is aimed at forcing the resignation of President Ershad, a former army general who has ruled Bangladesh for nearly six years. He denies opposition charges that he has retained power through corruption.

Mr Anwar Zahid, the Information Minister, said early this morning the state was in a state of emergency, one of the world's poorest nations, 250m a day in lost production and exports.

President Ershad has refused to resign. He said leftists were behind the violence and he ordered a fresh crackdown on dissidents.

Officials in the ruling Jatiya Party said the Government had tried to break the Sunday strike. It has already asked transport companies to keep their vehicles on the streets and offered compensation for any losses caused by violence.

But the party officials admitted that such steps could exacerbate the situation. "We have no option as long as we are in the Government. You cannot let violence go unchallenged. If you have no business to be in the Government," said one Jatiya official who declined to be named.

Soviet Gulf policy condemned

By Angela Dixon in Dubai

MR DAVID MELLOR, Britain's Minister of State for Foreign and Commonwealth Affairs, sharply criticised Soviet policies on the Gulf War, and implied that the Soviet Union was treating separately with Iran.

"There is one reason and one reason only that work has not been done on the follow-up to resolution (588), said to be the end of the Soviet Union," Mr Mellor said, referring to the imposition of an arms embargo on Iran, which he said had been agreed by all permanent members of the Security Council last September, but "nothing has been done".

"It should be a matter for all who want to see peace not to allow whatever arrangements between the Soviet Union and Iran... to stand in the way. We say, whatever you're up to, stop it."

Mr Mellor made the remarks at the end of a week-long tour of Oman and the United Arab Emirates during which he met leading personalities in the area, including the Sultan of Oman, the Crown Prince of Abu Dhabi, and the UAE ministers of Defence and Foreign Affairs.

He also visited a British tanker, which brought home to him, he said, "in human terms, how unacceptable the tactics of the Iranians are". Britain has ten naval vessels assigned to the Gulf - three frigates, four minesweepers and some supplyboats - and has had a presence there for the protection of merchant shipping since 1980. During the past year 280 vessels were escorted through the Straits of Hormuz at a rate of 10-15 per week.

"Britain does not supply arms to either side in the Gulf War," he said, although there was no law against it. "My concern is to get an embargo put in place, although the prospect of this has now diminished."

Meanwhile, Mr Felix Fedotov, the Soviet ambassador to the UAE, refused charges that the Soviet Union was dragging its feet on Resolution 588, but added that an arms embargo could be counter-productive.

Chris Sherwell on a trade-dependent, vulnerable economy in need of belt-tightening

Australia prepares for painful adjustments

AUSTRALIAN markets reacted cautiously this week to last Friday's US budget deficit pact, belatedly agreed in the wake of the worldwide share market collapse.

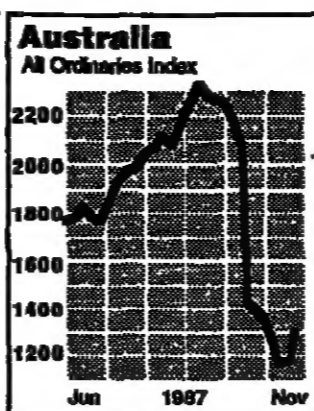
So too did the Canberra government. The pragmatic Labour administration of Mr Bob Hawke, presiding over a resource-based economy heavily dependent on trade, is under few illusions that a world recession would be a major setback for the country, whose two principal economic problems are a large current account deficit and voluminous external debt.

The deficit stood at \$13.6bn (\$5.25bn) in July, or 5 per cent of gross domestic product, while gross foreign debt, at \$110bn, was around 40 per cent.

Both figures are among the highest of the OECD countries, and reductions depend on two key factors: buoyant world trade, which means continued growth and reduced protectionism among developed countries, and painful structural adjustments at home.

Following the share price plunge, Mr Hawke joined other leaders in expressing public concern about the swollen US budget and trade deficits. But Australia has benefited from US growth, so he is also hoping stimulative moves by Japan and West Germany will offset Washington's corrective actions.

Over the past 18 months his government has also campaigned



strongly against protectionist moves in the US, Japan and the European Community, and through the General Agreement on Tariffs and Trade for agricultural trading reform.

None of this, however, has removed the need for domestic adjustment. Labour followed policies that were too expansionary after winning power in 1983. At the same time the country suffered a drastic decline in its terms of trade.

To deal with the problem, the Government has already gone further than most people thought possible. But the scale of the current account deficit and external debt reflect the degree to which Australians have continued to live beyond their means.

For most analysts, therefore,

the share market collapse has simply emphasised that the adjustments have not gone far enough and must, if anything, be speeded up.

It is no coincidence that share prices fell further in Australia than in any comparable market, with the All-Ordinaries index (covering 325 stocks) plunging from 2,306.5 at its peak on September 21 to 1,160.5 on November 11.

Likewise, the Australian dollar's trade-weighted index, which measures the currency against those of Australia's main trading partners, fell from 56 (May 1970 - 100) to below 51, weakening faster than the US dollar as the country's vulnerabilities were recognised.

In recent days both the share market and the currency have recovered a little of the lost ground. But there is still real uncertainty about the outlook.

On Wednesday Mr Paul Keating, the Federal Treasurer and the government's key policy-making figure, drew encouragement from pre-crash quarterly growth figures and suggested the economy was on course for the 2.75 per cent growth for 1987-88 forecast in last August's budget.

But he has also acknowledged that the share market collapse will have a negative impact on consumer demand - and therefore on Australian growth - and that balance of payments figures will be worse than expected.

Although he handed down a

balanced budget in August and says he will only introduce a mini-budget if that becomes necessary, the general expectation is that he will have to act to deal with the changed circumstances early next year.

For individual Australians that is likely to mean further belt-tightening. Yet for most the share market collapse has so far made little difference to their lives because they are not share owners.

If anything there has been a clear benefit, in that the shift of money to the banks has resulted in a welcome cut in home loan interest rates.

The collapse has nevertheless hurt overall business and consumer confidence and the reversions will show up in investment, which has long been sluggish, and in personal spending, which may dampen pre-Christmas activity.

The trend will be compounded should one of Australia's better-known entrepreneurs fail. So far only one relatively minor figure has actually failed, but there are jitters over others. One Perth financial institution has had to be bailed out of trouble, while all the major banks have increased their provisions for bad debts.

One immediate macro-economic issue facing the Government concerns the size and timing of another wage rise for Australian workers.

Over employer protests, the Government will accept a fur-

ther addition to labour costs to preserve overall restraint and relative industrial peace. It is also successfully promoting productivity-based wage increases to encourage greater efficiency.

Another issue is privatisation of such operations as Qantas, Australian Airlines, the Overseas Telecommunications Commission and the Commonwealth Bank. The share market collapse has reinforced Labour resistance to privatisation and meant a reverse for Mr Hawke, who has strongly promoted it.

In the longer term there are more difficult issues any Australian government must get to grips with. Generally there is a need to restrain spending and borrowing by the states, to lift the level of domestic savings and to increase productive investment.

Other changes are also required - reductions in tariffs protecting domestic industry, deregulation of transport, relaxation of regulations hampering business, further reforms to taxation and changes to the institutionalised labour relations system.

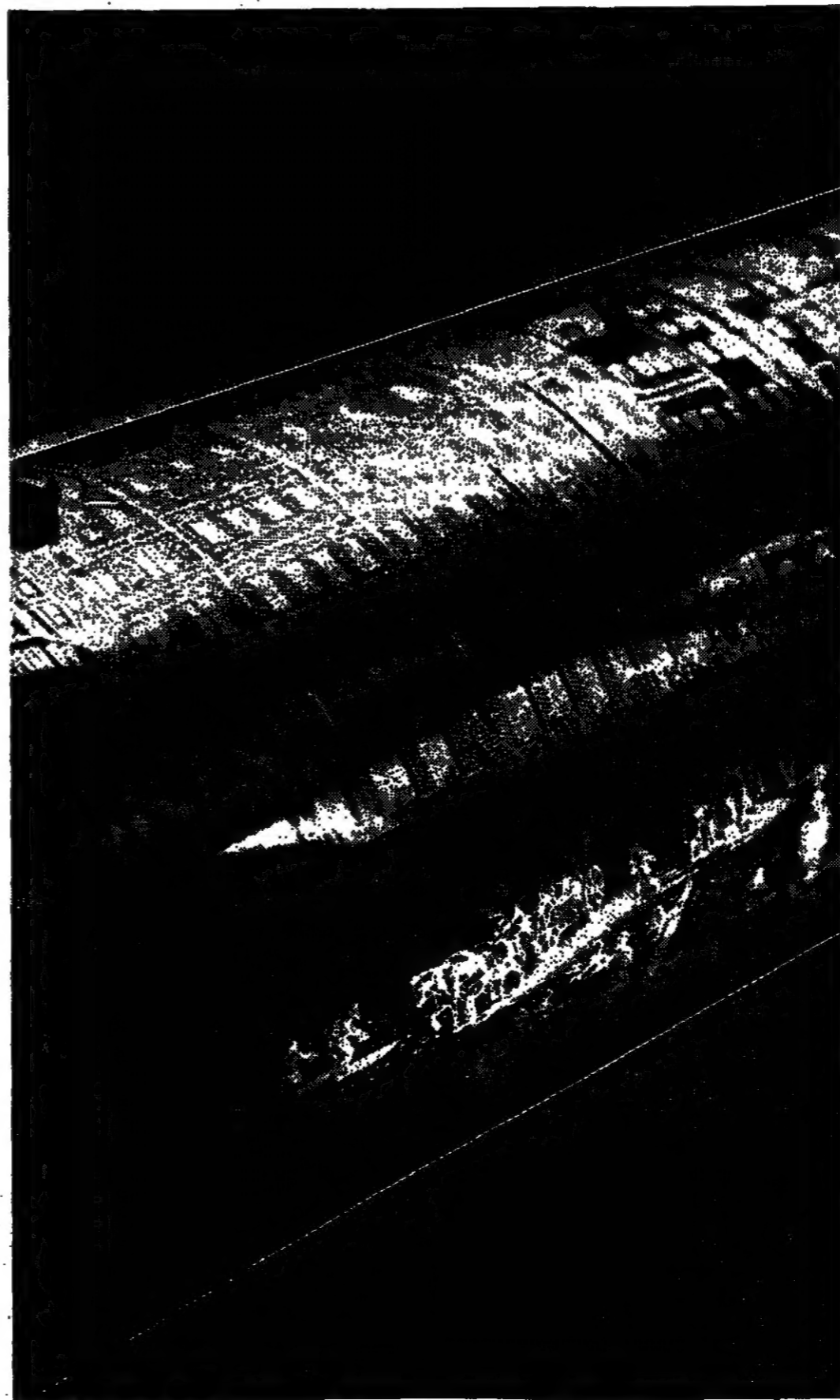
Mr Hawke and Mr Keating know all this well enough and are tackling the problems, but have followed a deliberately gradual strategy in order to keep the lid on unemployment.

If Australia and the world are now headed for recession, that strategy will come under severe challenge.

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OPEC'S OIL IN '88: ALL PUMPED UP AND NOWHERE TO GO?

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THE ECONOMIST PUBLICATIONS

WORLD TRADE NEWS

Peter Montagnon on the profound implications of a new classification system Sweeping changes to revolutionise tariffs

TRADE politics is full of clever arguments. One produced recently by the US was that tariffs themselves can be a form of non-tariff barrier if the administrative machinery for dealing with them is cumbersome and unwieldy.

The argument was raised in the context of sweeping changes in the international system of tariff classification which are due to come into force in January, and which should, if Congress agrees in time, put the US on the same basis as most of the rest of the world.

Most people tend to regard the actual business of tariff administration as a dull subject beloved of learned clerks, customs officials and ministry paper-shufflers. This may be the reason why the changes looming in January have so far received little broad publicity. In fact their implications could be profound.

Not only will it bring two important trading powers - the US and Canada - into line with general international practice on tariff classification, proponents of the new system believe it is inherently much simpler, more flexible and transparent than present arrangements.

Its adoption should mean that it will become technically easier to negotiate tariff cuts in the

General Agreement on Tariffs and Trade. It should also open up new ancillary opportunities for industry. Shippers will be able to use it for goods classification, airlines to control their component inventories and ultimately, though they have been slow to move, freight insurers may adopt it for risk and premium calculation.

The underlying motivation behind the new system, which replaces the current nomenclature of Harmonised Commodity Description and Coding System (HS), is the drift towards so-called paperless trading, under which administrative procedures concerning trade are increasingly handled by computers. It is a trend for which the present international system of tariff classification is ill-suited, not least because it dates back as far as 1960.

Like the present system, operated by some 149 countries, HS was negotiated under the auspices of the United Nations Customs Co-operation Council in Brussels. From January it is expected to be adopted by around 100 countries and by the end of the year by as many as 160. The major gaps will be countries like the Soviet Union and the Gulf States, which do not use tariffs, and China, which

is expected to require a couple of years of transition. Negotiating the harmonised system has been a complicated process that has taken years to complete. The old system was archaic, covering only around 1,000 main product headings in which there was no easy room for innovative products like disk-drives and semiconductors.

Proponents of the new system believe it is simpler, more flexible and transparent than present arrangements

that simply did not exist in 1960. The new one has around 5,000 headings which can be divided into more rational sub-groups. It also contains a built-in flexibility that can incorporate new products as they come onto the market.

Tough as this proposition was from a purely administrative point of view, it was compounded by the need to reset large numbers of tariffs which were previously "bound" under GATT so that the new system could be matched to countries'

existing obligations. This has been carefully constructed to be neutral in its overall effect, but will bring some changes to individual tariff rates that could come as a surprise to the market. For example, EC tariffs on some mechanical scientific instruments will rise sharply. The reclassification of circuit boards and disk-drives has already upset industry in the US.

UK officials believe that the new system will reduce the scope for "political" tariff decisions to be taken by the US. During the reclassification negotiations the EC was able to reduce tariffs that would have been applied to raincoats, following pressure from manufacturers such as Burberry and Aquascutum to reduce rates on certain textiles, though a dispute continues over wool textile blends.

Moreover, in what could turn out to be an important precedent, the US has agreed that definition disputes should be settled by a special committee of the Customs Co-operation Council which will have binding powers.

The US was one of the main supporters of the new system and itself suggested the start-up date of January 1. However, legislation to ratify it is contained in the omnibus trade bill which

may not have passed by then. That would simply mean the US would continue, for the time being, to operate its own system of tariff classification, but it would add to the potential confusion for exporters.

The introduction of the new tariff codes comes on top of the launch of the new EC Single Administrative Document for customs declarations, causing what the UK believes is the biggest shake-up in customs procedures since Britain joined the Community in 1973. It will involve exporters and freight forwarders in a major administrative change.

UK exporters are legally obliged to ensure that they are using the right tariff codes for their products. Despite the best educational efforts of the Government, some are expected to get the new system wrong and this could result in some disruption to trade in the early months of next year.

Worries persist about the degree to which other Community countries such as Greece have prepared their exporters for the change.

Though designed to make everybody's life easier in the long run, the new system may yet suffer a frustrating and uncertain birth.

US computer industry attacks moves on tariffs

BY LOUISE KENOE IN SAN FRANCISCO

US EFFORTS to "harmonise" the product classifications used to determine import duties and tariffs have drawn sharp criticism from the US computer and electronics industries. The move could also intensify trade friction with Japan and Canada.

Two major computer-related product categories have been reclassified by the US Customs Service as part of the proposed "Harmonised Commodity Description and Coding System," which is awaiting Congressional ratification.

The changes impose import

duties on computer subsystems brought into the US. This will force US computer makers that buy or make the equipment offshore to pay duties on imports.

Trade groups and individual companies have protested but the US Administration has backed a Customs Service decision to classify circuit boards containing microprocessors as "computers" rather than "computer parts."

As computer parts the circuit boards have been imported duty free, but under the new classification they would carry a 3.7 per

cent import duty. US personal computer makers with offshore suppliers would be particularly affected. Those that buy or make circuit boards in Japan face the additional problem of 100 per cent tariffs imposed as part of President Reagan's retaliatory tariffs for Japanese violations of the US Japanese Semiconductor Trade Agreement.

Although some of these tariffs were recently lifted, they have been retained on Japanese-made high performance personal computers, and according to the Customs Department, on the circuit boards used to build these computers.

US disk drive companies with offshore manufacturing and US buyers of foreign-made disk drives are also affected by the reclassification. Disk drives would be reclassified as dutiable finished goods. Previously, only stand-alone disk drives were subject to import duties while the types commonly packaged inside personal computers were duty free.

As well as raising costs for US computer systems manufacturers, the changes would violate international trade agreements, industry executives suggest.

Two years ago the US, Canada and Japan agreed to abolish tariffs on computer parts. "If we fail to meet our obligations under the agreements, tariff-free access to the Japanese and Canadian computer markets could be jeopardised," the industry group said.

The circuit board reclassification could also upset US trading partners, especially Japan, industry experts said.

Brazil acts to defuse US software row

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is taking rapid steps to reduce the impact of its controversial import restrictions on information technology and software in an apparent bid to avert retaliation from the US.

This week the Special Information Secretariat (SEI), the government agency that controls import licences, announced that the policy aimed at developing nationally-manufactured products similar to imports from foreign countries has been abandoned.

In addition, Conin, the inter-ministerial advisory council on the sector, called on Congress to bring forward legislation that, it claims, will make the importation of foreign equipment easier.

Conin also appointed Mr Luiz Carlos Bresser Pereira, the Finance Minister and a noted "dove" on the issue, to act as final adjudicator in the row over SEI's ban on the sale of Microsoft's MS-Dos software in Brazil.

It was this ban, imposed suddenly by SEI in September, that triggered the US Government's decision this month to impose punitive tariffs on \$105m of Brazilian exports. The Americans claimed that the ban represented a *de facto* extension of import barriers into the software field.

The Brazilian action also violated a commitment in 15 months of bilateral talks that required consultations, transparency in decision-making, and appeals procedures, the US argued.

SEI's immediate response was to attack the decision as disproportionate, discriminatory

and a violation of the General Agreement on Tariffs and Trade. But Brazilian exporters, now under threat of US reprisals, have been stepping up pressure on the government for action to defuse the row.

A measure of their influence came at the Conin meeting on Wednesday. Mr Jose Eraldo Veiga Rocha, SEI's chief executive usually regarded as a strong advocate of a tough import policy, told the council that the new software law would allow the introduction of more sophisticated software such as the US company's OS/2 programme.

"We need to make the policy more flexible," he was reported as saying.

The majority of Brazilian businessmen have appeared more critical of SEI than of the US in their evaluation of the case. Mr Eugenio Staub, the representative of private sector commercial and industrial interests on Conin, attacked the agency for "the grave error" of allowing a small software case to develop into a row of international dimensions.

One business organisation - the Brazilian Association of Commercial Exporters - believes, however, that the dispute could serve to demonstrate to the US the importance of Brazil as an export market.

The association, which has hired Washington lobbyists to make its case, claims that co-ordinated action by Brazilian importers of US goods could force the US to withdraw its reprisals without forcing a general revision of the new software bill.

Australia to cut pulp and paper tariffs

BY CHRIS SHERWELL IN SYDNEY

THE PROTECTION given to Australia's pulp and paper industry is to be reduced. The Government would like to see a shift away from wood-chip production, the merits of which environmentalists have questioned, to the higher value-added areas of pulp and paper production.

The action is part of a wider strategy to improve the performance of Australian manufacturing industries, especially those which add value to the country's raw natural resources.

An announcement by Senator John Button, Minister of Industry, Technology and Commerce, said tariffs on various types of paper were being reduced to a maximum of 15 per cent over two years.

Hitherto, tariff rates have ranged up to 30 per cent, with the rates at the 20-25 per cent level, although some are zero to 10 per cent.

Costed paper used in high quality magazines will be given concessional entry to encourage publishers to print magazines locally rather than abroad while the tariff on complete paper machines has been slashed from 15 to 2 per cent in a bid to boost investment in paper making equipment.

The idea is to promote higher value-added in timber-based industries. The government would like to see a shift away from wood-chip production, the merits of which environmentalists have questioned, to the higher value-added areas of pulp and paper production.

"We have identified \$500m of potential investment in the pulp and paper industry," Senator Button said. "These investments and the money they earn in export revenue can have a significant impact - as much as \$100m a year - on Australia's balance of payments."

The government's move follows a report from the Industries Assistance Commission recommending lower tariffs and bounties.

Some of its recommendations were rejected: it has not reintroduced a bounty on certain types of paper, for example, because of the risk of increased production levels.

But a bounty on books is being reduced from 30 per cent to 13.5 per cent over four years, and the period of the bounty is being extended until at least the end of 1993.

Canadian bank to offer export credit insurance

BY DAVID OWEN IN TORONTO

THE FOURTH largest Canadian bank, Toronto-Dominion, has become the country's first such institution to enter the export credit insurance business, which is dominated by the state-owned Export Development Corporation.

The bank has joined forces with a US-based credit insurance group, American Credit Indemnity, to offer a credit insurance scheme aimed at medium-sized Canadian companies exporting to the US.

It will offer continuous coverage against buyer insolvency for periods of six or 12 months. The annual premium will be fixed at 2-4 per cent of a customer's credit limit. Toronto-Dominion's trade services manager, Mr Steven Cullen, said the bank

intends to respond to cover applications within 48 hours. Toronto-Dominion and American Credit Indemnity have worked out a business structure which takes account of rules prohibiting banks from underwriting insurance. Under this the bank itself will be named as the beneficiary in a master policy issued by American Credit Indemnity. In turn it will issue certificates of indemnity to exporters defining their coverage.

While the US, according to Mr Cullen, is "the logical place to start," the bank may eventually offer the service further afield. "We are working with other institutions to see if we can achieve something similar in Europe and the Far East," he said.

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De Clercq: standstill call

EC unveils plan for copyright protection

By William Dawkins in Brussels

MR WILLY DE CLERCQ, the European Commissioner for external trade, yesterday presented the EC's proposals for worldwide protection for intellectual property rights.

They have been tabled in Geneva for the current round of negotiations in the General Agreement on Tariffs and Trade and will be followed before the end of the year by wider EC plans for liberalising world trade in services.

Brussels is arguing that intellectual property should be governed by GATT's general principles of equal national treatment, designed to ensure that foreign intellectual property receives the same legal protection as that afforded to local national counterparts.

That stipulation touches on a sensitive issue between the EC and South Korea, where the Community maintains its exporters are given less protection against local counterfeiting than their US competitors.

The EC also wants GATT signatories to be obliged to publish openly any regulations on intellectual property and to ensure that they do not restrict free trade.

Commission officials are meanwhile putting the finishing touches to a proposal for services, such as insurance, banking, transport and telecommunications, covering more than 20 product categories.

The EC will call for non-discrimination against foreign providers of services, in line with the US proposals on services presented to GATT early this month. The EC will also suggest a world standstill on introducing any new barriers to trade in services, said Mr de Clercq.

As a prelude to negotiating for a reduction in existing barriers, the EC will suggest that GATT compile an inventory next year of national restrictions to free trade on services. These would be examined by a working group, which could pick out individual examples for negotiation in GATT.

The project will cost \$267m and will be financed by a consortium of West German and US banks.

The contract was announced after Chancellor Helmut Kohl's three-day visit to Cameroon last week.

International flights now use an airport in Douala, Cameroon's economic capital, some 200 miles from Yaounde.

In another deal, Krupp Industries of West Germany has won a DM25m order to build five edible-oil processing plants in Hungary.

The Budapest export company Komplex had the order with the Krupp subsidiary.

The processing units, scheduled to go into operation from 1988 to 1990, will press sunflower and rape seeds used in edible oils, margarine and livestock feeds.

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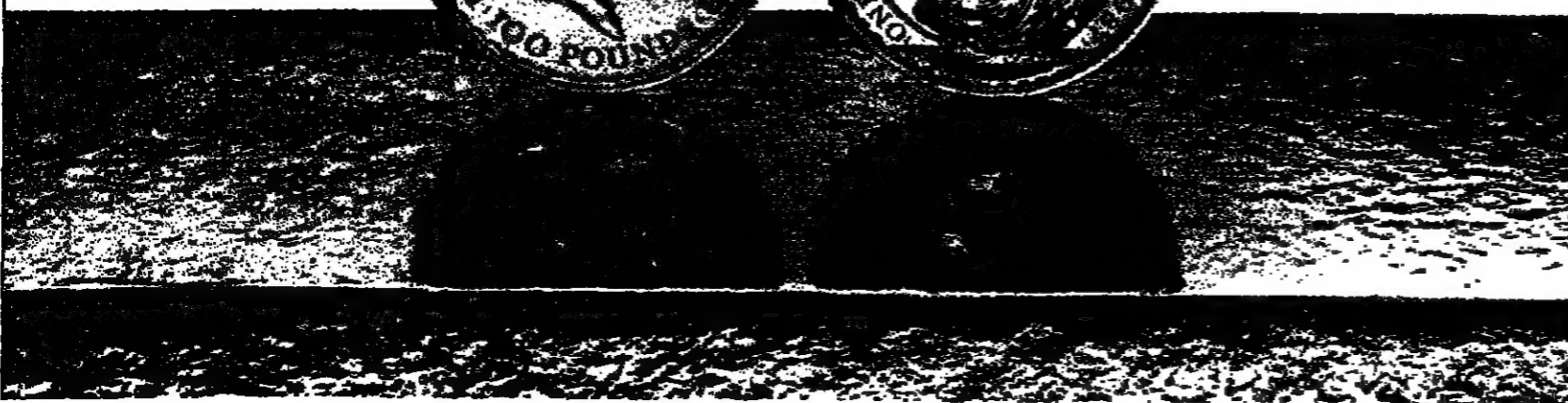
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THE ROYAL MINT



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UK NEWS

Restart counselling fails to place jobless in work

BY CHARLES LEADBEATER

THE RESTART counselling programme for those unemployed for more than six months has largely failed to find people jobs, according to Manpower Services Commission figures. The statistics show that just 4,288 people, or 0.5 per cent of the 840,578 interviewees, have found employment.

The detailed breakdown of the results of the interview programme, in which unemployed people are counselled on employment or training opportunities, was presented to the MSC's 10-strong commission last month.

People unemployed for more than six months have been asked to attend Restart interviews since April this year. Before that the programme dealt only with those unemployed for more than a year.

The disclosure of the figures yesterday by the Unemployment Unit, the unemployment

research group, provoked Mr Michael Mescher, shadow Employment Secretary, to accuse employment ministers of misleading parliament over the programme's performance.

Mr Norman Fowler, Employment Secretary, replying on November 9 to a written question from Mr Mescher, said: "We do not know how many of those selected for interview are ultimately placed in a job or in a training scheme."

However an MSC report detailing the effectiveness of the Restart programme shows that by August 1987 Jobcentres had contacted 1,174m people and interviewed 840,578. Of those, 741,783 (88 per cent) were made some kind of offer of training or employment, and 592,072 (70 per cent) of those interviewed agreed to follow up the offer.

About 75,000 people were put forward for a job interview, but

only 4,288 (0.5 per cent of those interviewed) found employment.

Mr Fowler told the Commons earlier this month that about nine in 10 people received an offer that might lead to employment.

The report shows, however, that only 11.4 per cent of 660,000 offers made were followed up.

About 62,000 people were submitted to the Community Programme for the long-term unemployed but only 10,355 started; 37,510 were allocated to a short Restart training course but only 19,395 started; 89,157 were referred to the new Job Training Scheme but only 18,999 started; and of the 55,902 submitted to other training programmes only 4,307 began a course.

About 80,000 people were referred to a job club but only 13,680 joined one.

Jobcentre move 'likely to cut staffing'

BY CHARLES LEADBEATER

THE MERGER of Jobcentres and unemployment benefit offices to form a single Employment Service will lead to staff cuts of about 15 per cent and tighter controls on benefit claimants, the Society of Civil and Public Servants said yesterday.

In a letter to Sir Michael Quinlan, Permanent Secretary at the Department of Employment, the

SCPS said the situation in the department was becoming serious. It said there was evidence that the department planned to cut the 40,000 staff by 15 per cent.

The merged service is to be established over the next couple of years following the transfer last month of Jobcentres from the Manpower Services Commis-

sion to the Department of Employment, which controls unemployment benefit offices.

Sir Michael, in a letter to the union yesterday afternoon, said there were no plans to cut staff by 15 per cent. He accused the union of using untruths and loaded language in arguing that there would be stricter policing of benefit payments.

Half health authorities 'running a deficit'

By Michael Dixon

HALF the 200 district health authorities in England and Wales are running financial deficits even although they are legally obliged to balance their books, according to a survey report published by the Labour Party.

Of 164 district authorities that replied to inquiries by Mr Robin Cook, Labour's health and social security spokesman, 101 reported overspending during the first part of their financial year in spite of efforts by most to cut their spending.

While the other 63 were at least breaking even, six said they were having to keep jobs vacant and spend reserves or capital to keep within budget. Only East Surrey, Islington, and Portsmouth and South-east Hampshire expected to end the year with funds in hand.

The average deficit among the overspending districts was about \$690,000. Individual amounts ranged from \$50,000 in Redbridge to \$3m in the London district of Paddington and North Kensington.

West Lambeth was overspending by \$2.5m, Wandsworth by \$2.5m, Sheffield \$2.2m, Oxfordshire \$1.8m, Newcastle upon Tyne \$1.65m, Shropshire \$1.52m, and Mid-Glamorgan, Hounslow and Spelthorne, Leicestershire, and Central Nottinghamshire all \$1.5m.

King questions Irish extradition method

BY OUR BELFAST AND DUBLIN CORRESPONDENTS

MR TOM KING, the Northern Ireland Secretary, yesterday questioned the Dublin Government's decision to involve the Irish Attorney-General in new extradition procedures between the Republic of Ireland and the UK.

His remarks are the clearest sign yet of growing British Government annoyance at recent developments in the republic over extradition. They coincided with further confusion over the application for the extradition of Mr Paul Kane, who has been wanted in Northern Ireland since he escaped from the Maze prison near Belfast in 1983. Mr Kane was again released yesterday and then again detained.

Mr King said he welcomed the Irish Government's decision to ratify the European convention

on the suppression of terrorism. However, his comments on the Irish Attorney-General's involvement are an obvious sign of the British Government's impatience with recent developments.

The Northern Ireland Secretary said that no application was ever made to a judicial authority for a warrant unless there was a firm intention to prosecute based on evidence. "We are, therefore, surprised that a need is perceived for any further procedural step."

He added: "We regret that, notwithstanding our representations, it is proposed to give a role to the Irish Attorney-General whereby he must satisfy himself as to the intention to prosecute the fugitive and as to the sufficiency of the evidence."

It was essential, Mr King said,

that we maintain effective extradition arrangements so that there is no hiding place for terrorists."

Irish police were yesterday still considering a warrant for Mr Kane's extradition which had been sent to them by the Royal Ulster Constabulary. Mr Kane had been arrested by the Garda on Monday but released after 48 hours because extradition papers had not been received.

He was then detained after a car chase. However, yesterday he was again released on bail, on charges including assaulting a policeman. He was then immediately detained on what was described as a provisional warrant as he left the courtroom, in County Cavan near the Irish border.

The Irish parliament is due to

start debating changes in its extradition procedures today. Mr Charles Haughey, the republic's Prime Minister, was forced to introduce amendments after some of his Fianna Fail backbenchers threatened to oppose the extradition bill as originally drafted.

The embarrassment surrounding the case of Mr Kane will lend added point to the Dail debate, which is expected to end late next week with the parliament endorsing the changes proposed by Mr Haughey's Government.

This endorsement will come despite parliamentary opposition from the Labour Party and reservations already expressed by other opposition parties. In the interim, the European Convention for the Suppression of Terrorism will pass into law in Ireland on Tuesday.

Bristol and Avon light railway planned for 1991

BY ANTHONY MORETON

A \$130m light railway scheme for Bristol and the outlying areas of Avon was unveiled yesterday by Advanced Transport for Avon.

Mr Richard Cottrell, the company's chairman and Bristol's Euro-MP, said it was hoped the \$38m first phase from Failand, east, beyond the dock area of Portbury, into the city centre would be operational by 1991.

The whole scheme will cover some 90 miles. A bill to sanction the project is to be introduced in parliament today and it is hoped to have royal assent by July. Construction could then begin around spring 1989.

Subsequent phases, in which it is planned to extend the system to Yate, north of the M4 motorway, will depend on further parliamentary bills. At an early stage ATA would also like to push out to Filton, next to the British Aerospace factory, and to nearby Cribbs Causeway out-of-town shopping centre.

Mr Cottrell added that ATA would also like to extend the railway into the densely-populated south Bristol area as soon as possible. The Bristol development is the

second out-of-London scheme to be proposed in the Midlands.

Birmingham and Greater Manchester are also undertaking preparatory work on light railway systems. Mr Cottrell forecast a dozen or more by the turn of the century.

This would still leave the UK a long way behind many European countries, where the tram is a commonly accepted means of urban transport. West Germany has them in some 50 towns and cities.

Although preliminary talks have been held at official level, ATA still has to convince both

the Bristol and Avon authorities of the desirability of a light railway.

Mr Cottrell said that unless the railway was introduced, the city and county, as well as nearby Bath, would be "gargoyled by the increase in traffic on the roads."

Financial advice is being given by Schroeders and ATA hopes to raise much of the finance by capitalising on part of the enhanced property value along the route. It still has an open mind on whether to raise equity capital, according to Mr Peter Ferguson, finance director.

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Companies optimistic on outlook for recruitment

BY MICHAEL SHAWKINER

THE PROPORTION of British companies which expect to increase their staffing levels over the next 12 months is at its highest level for five years, according to an annual survey published today by the Institute of Directors and the Reward Group.

The survey found that 63 per cent of the more than 1,500 companies questioned said they intended to increase their factory staff over the next year. This compares with 45 per cent which expressed such an intention last year.

Forty-one per cent of the companies questioned said they would increase their management staff over the next year, compared with 34 per cent in 1986. Fifty-seven per cent said they would increase their sales staff, compared with 50 per cent in 1986. Forty-two per cent said they would increase their office staff, compared with 33 per cent in 1986.

The companies covered in the survey had turnovers ranging from less than \$1m to more than \$500m.

The survey also reported a slowing in the rate of increase of directors' pay over the past year. The rise, however, was still above the 7.5 per cent average increase in earnings nationally.

Managers' pay increased by 8.5 per cent over the past year, compared with 12.1 per cent in 1986-87. Pay for executive directors increased by 10.9 per cent, compared with 11.1 per cent in 1986-87.

Reward and the IoD say the difference is explained by the greater increase in the level of bonus payments to executive directors.

A typical British managing director is likely to earn \$37,000 and to run a company with 80 employees and a turnover of \$5.5m, the survey said. He is likely to be 47 years old and drive a company Jaguar. He will probably have a company health scheme and pension scheme. He is less likely, however, to be part of a share option scheme.

Directors' Rewards 1987-88. Reward Regional Surveys, Reward House, 1 Mill Street, Stone, Staffordshire, ST15 8BA. \$190.

Private sector seeks role for inner-city investment

BY IAN HAMILTON FAZEY

BUSINESS IN the Community yesterday announced a new strategy for private sector involvement in the inner cities.

Six target teams, each chaired by a senior business leader, will encourage more job creation, investment and enterprise in urban areas.

The strategy was announced by Sir Hector King, chairman of United Business, who succeeded the Prudential's Lord Carr as chairman of BiC at the organisation's annual meeting in Birmingham.

It is the response of BiC - the umbrella organisation for the private sector's involvement in the community - to the Prime Minister's call for more help from business to revitalise the inner cities.

The teams are:

• Priority hiring and training. Mr David Rowland, deputy chairman of Willie Faber will chair the team, which will promote action by employers to target recruitment at unemployed young people in inner cities.

• Business and education partnerships. Mr Martin Finlay, deputy chairman of Whitbread, will lead a team encouraging more school-based partnerships with employers aimed at improving educational performance and job opportunities.

• Investment for enterprise. He gave full backing to the new strategy, singling out jobs as chaired by Sir David Scholey, a key issue.

chief executive of S.G. Warburg, this will promote private sector initiatives in special loans and funding mechanisms for small and new businesses.

• Enterprise development. The chairman will be Mr Kent Price, chief executive of the Chelmer Group. Its job will be to help businesses to start up and grow through what have been BiC's main tool to date, local enterprise agencies.

• Enterprise and the built environment. The target area here will be more business involvement in property development, housing, workshops, and management of the built environment. Chairman will be Mr Brian Corby, chief executive of the Prudential Corporation.

• Local purchasing. This chair is still vacant but the aim will be to get more big companies to assist small businesses in their areas through local purchasing and contracts.

Sir Hector said the teams would work closely with chambers of commerce, the CBI - which has promised full support central and local government and community groups.

Prince Charles, BiC's president, called for more ideas from industry and commerce on how to revive old urban areas.

He gave full backing to the new strategy, singling out jobs as a key issue.

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UK NEWS

Soviet checks on US bases 'controllable'

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

BRITAIN IS satisfied it can prevent Soviet inspectors prying into military matters unrelated to the removal of US cruise weapons, when the inspectors visit the UK to verify the terms of the forthcoming US-Soviet missile treaty.

UK defence officials said yesterday that British authorities will be able to control the routes by which Soviet inspectors arrive at the only two bases in the UK open for inspection, and will have the right to examine any Soviet equipment.

Procedures whereby Soviet inspectors will inspect the West European bases which hold or were planned to hold, US cruise and Pershing missiles, will be set out in a special protocol to the intermediate-range nuclear forces (INF) treaty.

The countries with bases in the UK, West Germany, Italy, Belgium and the Netherlands will exchange notes with the Soviet Union soon after the treaty is signed on December 8.

The two bases in Britain are Greenham Common, Berkshire, which has a fully-operational complement of 86 cruise missiles, and Molesworth, Cambridgeshire, which was due to get its first flight of 16 cruise missiles by the end of this year and a further 48 next year.

Nato this week announced a freeze on further missile deployment after the December 8 treaty signing. Molesworth already has some cruise launch vehicles and missiles, but no warheads and is now unlikely to receive any.

However, UK defence officials yesterday cautioned that if the Soviet Union continued medium-range missile deployment, after December 8, but before the treaty came into full effect with US Senate ratification, Nato might reluctantly have to reconsider its deployment freeze.

The two British bases will be subject to three kinds of inspection:

- a "baseline" inspection to be made within 90-100 days of the start of the three-year missile elimination period. This would enable the Russians to check whether the Americans really had at the bases what they said they had in the treaty.
- a "close-out" inspection at the end of the elimination period, for the Russians to check the bases were clear of all missiles.
- "short notice" inspections which the Russians could make with decreasing frequency during the three-year missile removal phase and over the following 10 years. Worldwide, the Soviet Union, like the US, will be able to make 20 inspections a year for the first three years, 15 a year for the subsequent five years and 10 a year for the last five years. No more than half of all these inspections can be made in one country, so the UK would have a maximum of 30 inspections.

These inspections may be at as little as "one or two hours' notice", UK officials believe. The Soviets' flight plan will be set by the UK and will lead to Greenham Common.

Racing to unearth the Roman black rat

By Ralph Atkins

DEEP BELOW the bustling, soaring offices of the City of London, teams of archaeologists are urgently sifting through the remains of early Roman Londinium.

The Docklands Light Railway Archaeology Project, launched yesterday, is a unique chance to explore the habits and habitat of past generations.

The opportunity is provided by the extension of the railway from its terminus near the Tower of London to Bank in the heart of the City.

Docklands Light Railway contractors are allowing teams of archaeologists from the Museum of London up to three months at each of six sites to rescue relics.

A tight construction timetable - the first trains are due to run through the tunnels in 1990 - means centuries of history have to be dug up in a matter of weeks.

Shafts dug by the contractors will reach 40 metres below street level - uncovering remains deposited in first-century Roman Britain.

The preliminary investigations are to be financed from £400,000 provided by Olympia & York, developers of Canary Wharf in Docklands.

Archaeologists are particularly delighted to be able to dig continuously from street level, discovering the remains of different epochs at each stage.

A test bore at Fish Street Hill, near Monument, has already revealed an extraordinary collection of pottery, jug, beakers and storage containers - probably belonging to households of ancient City workers.

Nearby a 7-metre-deep well, which was lined with timber and was perhaps used as a cesspit, has proved rich in animal and plant remains - including probably the oldest example of a Roman black rat.

Stones and pipe from cherries, plums, apples and grapes have all been uncovered, together with bones from fish, pigs, lambs and chickens. Seeds from herbs plus lentils, beans and hazelnuts are other finds.

Lucy Kellaway on the issues facing a monopolies inquiry Do British Gas prices add up?

WHEN A newly-privatised company is said to be charging its customers half as much again as the going rate in Europe, when different customers pay different amounts and are not told how others are being treated, and when the price system is so opaque that companies cannot estimate future costs, there would appear to be room for complaint.

Sir Gordon Borrie evidently took that view when he decided this week to refer such grievances about British Gas's industrial pricing policy to the Monopolies and Mergers Commission.

During the next nine months the commission will hold British Gas's elaborate pricing system up to the light to see whether a monopoly exists in the industrial market, and if so, whether it is against the public interest.

Its task is not an enviable one. A decision in favour of radical change in pricing would be a heavy blow for the Government's privatisation policy, as it would mean tumultuous upheaval for the company's shareholders and the whole gas industry less than two years after it was privatised.

If, however, the MMC decides that the present system is satisfactory, critics of privatisation will be further incensed, and talk about loosely-regulated private monopolies will be encouraged.

The issue is particularly complex because there is neither a clear monopoly nor free competition in the industrial market. "Interruptible" customers - which can burn either gas or oil - switch from one to another depending on which is cheapest,



Sir Gordon Borrie: referred grievances to MMC

while other customers have flexibility only in the long run, if they choose to invest in dual-fuel capacity. A sign of competitive pressure was apparent last year when British Gas lost 20 per cent of its industrial load as a result of falling oil prices.

In theory, further competition should be provided by other gas producers who can sell direct to end customers using British Gas pipelines, but in practice producers have declined the opportunity.

When the Government drew up the plans for the privatisation of British Gas it drew a thick line between the domestic market - where a fixed formula was established - and the industrial market, where British Gas was allowed to continue a system that had been in operation for more than a decade.

Two changes were made to the established arrangement under which contracts were negotiated individually with customers. First, British Gas was required to publish a maximum price, and second, the Office of Fair Trading was given power to make monopoly references if it saw fit.

Little did the Government think that the safety net would be pulled out so soon. Two years ago, industrial users appeared more or less satisfied with the arrangements. However, a fall in oil prices has left them at a strong disadvantage to their European competitors, as gas prices in mainland Europe have fallen much more sharply than in the UK.

But to blame British Gas may be to miss the point. The gas markets in Europe and in the UK are quite different. European gas

industry might not like it. According to Mr Stephen Clapham of Hoare Govett, the industry has done well out of the present system for the last 15 years, and its complaints smack of opportunism.

As for linking prices to costs, this raises the fundamental question about a monopoly. Only if one is found to exist would such a link be justifiable.

A less fundamental complaint concerns the wide range of prices paid by different gas customers. Although it seems reasonable that British Gas should adjust its prices according to size and location, to permit it to keep such differences secret appears to give it an unfair negotiating advantage.

As the present position is not created by British Gas alone, however, but is common across energy markets, to force it to publish all prices would be to penalise it against rival suppliers of oil and coal.

A third complaint is that the three-month contract period is too short. However, the timespan was reduced as a result of turmoil in energy markets and, furthermore, it seems odd for customers to argue simultaneously for stronger links with oil prices and for longer contract periods.

The MMC may find it easier to come up with a sound proposal when it investigates British Gas's unwillingness to quote prices for interruptible supplies until the customer has invested in the dual-fuel equipment. While it cannot be expected to hold firm contract prices until the capacity is in place, it could surely quote indicative prices so that a decision could be made.

Business Enterprise Award for Body Shop

BODY SHOP International, the natural beauty products chain, was yesterday named the winner of this year's Business Enterprise Award.

Its record of combining dynamic growth over the past 11 years with an awareness of environmental issues saw off the challenge from Sock Shop and three other finalists.

Ms Anita Roddick, the company's co-founder, collected the award from Mr Robin Leigh-Pemberton, Governor of the Bank of England, in London.

The other finalists this year were Pentland Industries of Finchley, Lilliput Lane of Parnth and IAD (UK) of Worthing.

TSB trio join board at Hill Samuel

THE BOARD of Hill Samuel has been reshaped following the acquisition of the merchant banking group by the Trustee Savings Bank last month.

Sir John Read, TSB chairman; Mr Philip Charlton, managing director; and Mr Don McCrickard, managing director of TSB Commercial Holdings, join the board. The chief executives of five Hill Samuel operating subsidiaries have been appointed board members. The former non-executive directors have resigned.

Mr David Davies, Hill Samuel chief executive, also joins the boards of each of the subsidiaries.

Longer hours at Barclays branches

BARCLAYS BANK will keep 183 branches open until 5 pm from next Tuesday as part of the move towards longer opening hours. However, only a limited range of services will be available after the normal closing time of 3.30 pm.

Eternit TAC

Eternit TAC is to establish its own distribution facilities in Essex to import plasterboard into the UK. It is not, as stated in yesterday's paper, taking over the Essex facilities of Lafarge Coppes which has decided to run down its UK plasterboard importing operations during next year.

Fraud inquiry launched

BY RICHARD WATERS

THE CITY of London Police fraud squad is investigating allegations of fraud at Eastern Capital Futures, which is under the control of court-appointed administrators.

ECF, part of Eastern Capital Group, has about 600 creditors. A fellow subsidiary, Eastern Capital Securities, which is not under investigation by the fraud squad, is thought to have about the same number.

Two administrators from accountants Peat Marwick McLintock were appointed to the group on November 11 following an application from the company. The appointment became necessary when all but one of the directors resigned.

Neither the police nor the administrators would comment on the circumstances surrounding the case.

A formal statement of the affairs of the group will be prepared within three months, said Mr Bill Ratford, one of the administrators.

The group has shareholders in common with Eastern Capital Inc, a US company which is also believed to have ceased trading, but which is not involved in formal insolvency procedures.

Royal Ordnance sold for 'under net asset value'

BY LYNTON MCLEAN

THE PROCEEDS of the sale of Royal Ordnance to British Aerospace were "significantly less than the net asset value of RO," the National Audit Office said yesterday.

Sir Gordon Downey, comptroller and auditor general, said there was no satisfactory measure of whether the price of £190m was an equitable return for the taxpayer.

The sale figure was £37m less than the net asset value of RO of £227m on a depreciated historic cost basis at December 31, 1986.

RO, the UK's principal manufacturer of land-based weapons, had a turnover of £515m last

year, of which the MoD purchased about 80 per cent.

The last figure for RO's net asset value, £227m, took account of the MoD's decision not to accept from RO dividends projected at £22m.

RO's net assets, as sold to BAe, contained the £15.4m proceeds, including interest, from the sale of the tank factory at Leeds to Vickers. Accounts for 1986 record a loss of £5m on that sale.

"After allowing for direct sales expenses and other costs associated with the privatisation of RO, the proceeds were significantly less than the public investment in the company," Sir Gordon said in a report.

Southern house prices 'reduce job mobility'

BY PHILIP BASSETT

THOUSANDS OF employees are reluctant to move their jobs or are refusing to move, according to a survey of job mobility.

The survey suggests that the resistance - primarily because of regional house price differences - may be costing British businesses more than £500m annually.

The study, carried out for Homequest, the UK arm of a US company that claims to be the world's largest relocation specialist, finds that 65 per cent of companies surveyed said that employees had either rejected or expressed serious concerns about relocating.

Eighty-five per cent said the

most frequently cited reason was north-south house price differentials. Other factors include the stress of a move, possible loss of the spouse's earnings, and schooling disruption.

Follow-up research among the companies suggests that the cost of employees refusing to relocate is mainly between £5,000 and £5,000, made up of executive time spent searching for a replacement, recruitment and advertising costs, administration and not having the right person in the right job at the right time.

Report on a study of employee mobility, Homequest, Shearwater, 20 Market Place, Warrage, Essex OX18 8BG.

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UK NEWS

KEVIN BROWN AND PAUL BETTS COMPARE THE CONTRASTING IMAGES OF TWO MASS-TRANSIT SYSTEMS IN THE AFTERMATH OF THE KING'S CROSS BLAZE

Age and size catch up with London's Underground

THE LONDON UNDERGROUND is the oldest and deepest of the world's major subway systems, and still one of the biggest, despite postwar expansion in cities such as Tokyo.

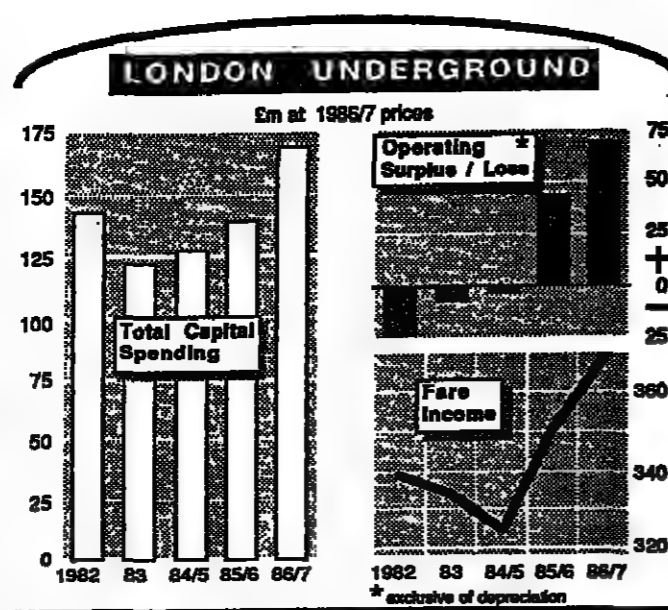
But with age and size come problems, and there has always been an element of defensiveness by London Regional Transport. "If you were planning an Underground for London from scratch, as if it was a greenfield site, you wouldn't end up with what we now have," managers are apt to say.

Nonetheless, LRT has to cope with the planners' nightmare it has inherited, and there has been grumbling for many years about the way it does so.

Until last week, the authority managed to deflect most of the criticism by pointing to its increasing popularity with the public, and decreasing dependence on the taxpayer and London ratepayers for revenue support. But the fire at King's Cross, which killed 30 people, has unleashed a torrent of claims that the Underground is undercapitalised and starved of investment by the Government.

To some extent, these charges may be answered by the public inquiry, expected to start next week, which will have powers to consider whether LRT's investment policy has had a deleterious impact on safety.

In the meantime, however, LRT executives say there is no question of capital investment being limited by government



financial targets, which are aimed at reducing operating costs. "We are not constrained by financing, not in any way at all. The Government has approved every investment programme that has been put before it, ministers have been very reasonable," said Mr Barry Dale, LRT's finance director.

Until 1984, London's bus and Underground services were operated as a municipal enterprise by the now abolished Greater London Council. One of the issues which brought about the reor-

ganisation was a long political and legal wrangle over the GLC's policy of large fare cuts, subsidised from the rates.

LRT managers say the uncertainty of this period caused last year's damage to the Underground by delaying investment decisions. It also led many observers to confuse the GLC's willingness to finance revenue losses from the rates with an equal willingness to finance capital spending.

In fact, managers say the capital spending regime was little different to that of today.

Since 1984, there has been an open squeeze on revenue subsidies. LRT was instructed to reduce its revenue gap (on buses and trains together) from more than £180m in 1983 to £85m in 1987-88. It has more than achieved the target: the revenue gap this year will be about £80m.

The effect of this on capital spending on the Underground is not immediately obvious, because of the agglomeration of revenue and capital grants, and the inclusion of bus financing in the published government figures.

The broad picture, however, is that Underground investment has risen in real terms from £142.3m in 1983 to £171.2m in 1986-87. Over the same period, the government contribution to capital spending has fallen from £165.4m to £100.6m (though it is expected to rise to £112m this year).

The reason for this is that part of the government contribution has been replaced by a healthy operating surplus which is used to swell the capital spending fund. The system lost £23.1m in 1982, £12m in 1983, and £2.8m in 1984-85, before reporting a surplus of £42.9m in 1985-86 and £70.6m last year.

The operating surplus follows an increase of more than 50 per cent in the number of passengers over the past three years, caused by rising numbers of City commuters and the success of the Travelcard season ticket. In effect, fare income from passengers has replaced both revenue subsidies and a large chunk of

the government capital spending grant. In terms of investment in the system, this would matter only if the reduced capital spending grant was regarded as a lost opportunity to improve the system. But LRT managers say it is not.

If the Government offered to make unlimited money available tomorrow, said Mr Dale, it would make no difference to the capital spending programme because there is a physical limit to the amount of work that can be carried out at any one time.

But if capital spending is adequate and rising, now, managers say this has not always been the case - particularly during the recession of the mid-to-late 1970s. In cash terms, Underground capital investment grew from £4.6m in 1970 to £65m in 1978, a fairly limited increase given the high inflation from 1973 to 1976.

Many of the fixed assets, such as escalators, lifts and station decor, had been installed during the 1920s and 1930s and required replacement. The authorities decided to save money by not replacing these and, to some extent, this explains the scruffiness of parts of the system now.

This tatters - together with overcrowding caused by the increase in passengers - is at the heart of a widespread belief that the service is getting worse. The loading of passengers per train has risen from an average of little more than 80 in 1981 to more than 120.

LRT's forward planning includes proposals for capital spending in excess of £200m per year in real terms through the 1990s. However, few decisions are likely to be taken until the report of the King's Cross inquiry has been published.

There are also fewer concrete plans for extensions of the Jubilee and Bakerloo Lines into south and south-east London, and a northern extension of the East London Line to Liverpool Street. Some stations urgently require extension, particularly Angel, Farringdon, Liverpool Street, Victoria and the ill-fated King's Cross.

What is not in doubt is that more investment is required to add capacity to cope with the increased demand. LRT has ordered 16 extra trains, which will add 3 per cent to passenger capacity. The opening of the Docklands Light Railway - effectively an extension of the Tube - and two planned extensions will also relieve overcrowding.



Tube disaster fails to dent confidence in the Paris Metro

PARISIANS have always been proud of their Metro. The underground, with its unique combination of high-tech and art deco, has become a symbol of Paris like the Eiffel Tower or the Louvre.

Shortly after the King's Cross disaster in London, Mr Pierre Méhaignerie, the French Minister of Transport and Public Works, said that he had no intention of asking the Paris urban transit authority - the RATP - to increase safety precautions.

After all, he explained, everyone knew that Paris had "the best metro in the world". RATP officials were quick to stress the safety record. Since the Metro was built 87 years ago to coincide with the Paris exhibition of 1900, there has been only one major disaster, when a train fire caused 83 deaths. The last fatal accident occurred in 1981, when two collisions each caused one death.

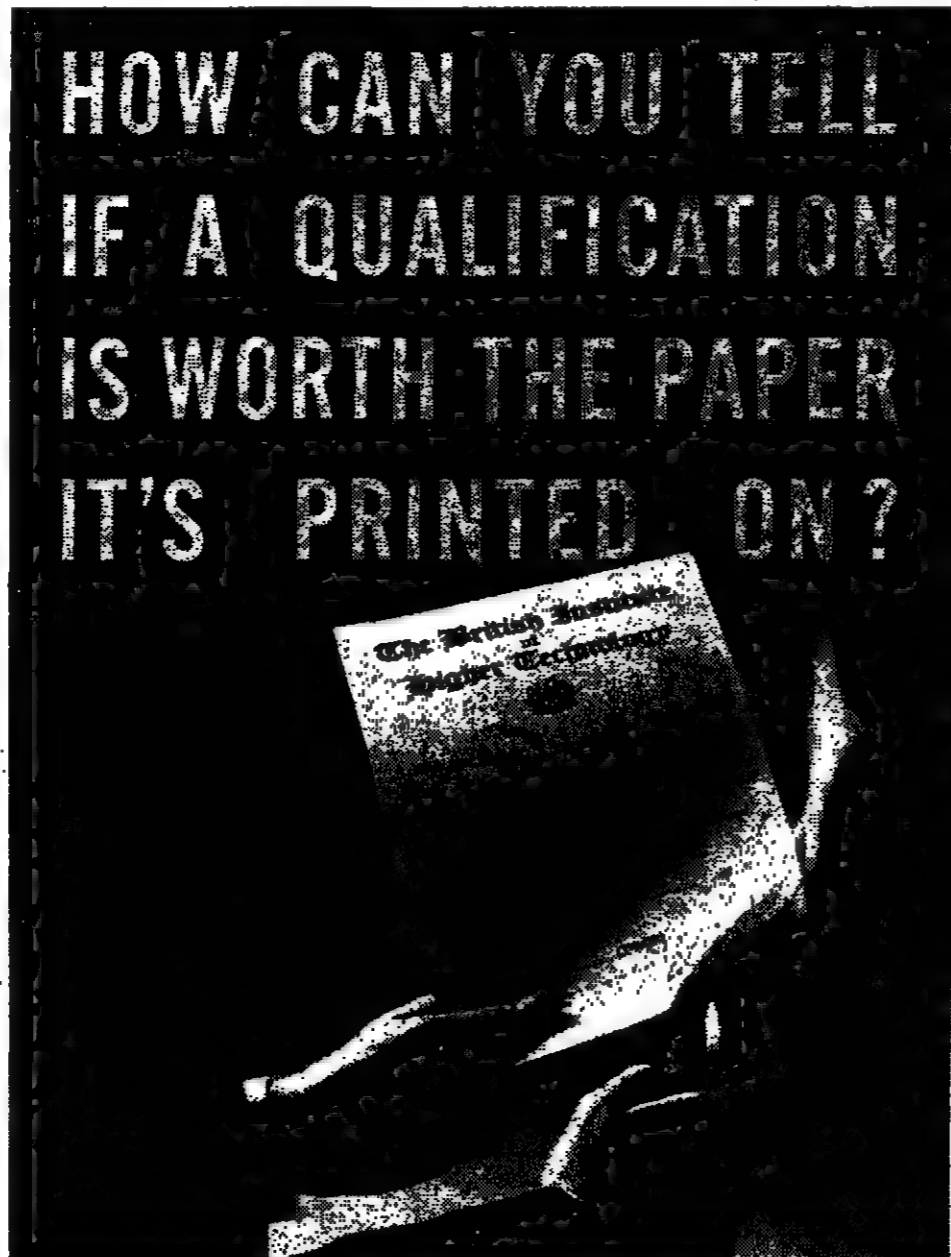
"During the last 10 years we have invested about FF400m (£60m) or FF40m a year on fire prevention alone," remarked an RATP official. But then the Paris urban transit network has never skimped on spending. As a result, Mr Méhaignerie said, the Metro provided passengers with one of the best services in the world at the lowest fare cost.

The success of the Paris urban transport system has largely been the product of generous capital spending combined with good technical expertise. The strategy of the past two decades has been to build an inter-linked network of metro, rail and bus services, which started with the modernisation and extension of the underground.

Computerisation of the Metro and automated ticket-barriers have boosted efficiency and the introduction of rubber tyres to reduce noise, was another landmark. Inventive marketing with products such as the *carte orange* (monthly season ticket) and cheap fares has ensured a steady rise in passenger traffic, although in the last few years the number of users has tended to stagnate or rise by only a slim 1 per cent annual rate.

Governments of both the right and the left in France appear to have accepted that an advanced urban transport network requires heavy state subsidies if second class carriages. Some passengers try to find refuge from the busters and beggars who increasingly haunt the Metro by travelling first class for a few francs more.

Crime too has become a problem, although the RATP says it is not a government official. "And since declined by more than a third in Paris would grind to a standstill 1985-86."



Each year, nearly two million vocational qualifications are awarded in Britain. They are awarded at almost every level, in almost every field, from accountancy to welding.

Now while some are valuable to employers, others apply standards that are out of touch with the real needs of work. Too many qualifications still over-emphasise theory at the expense of practice.

What makes things worse is that while some occupations have a mass of overlapping qualifications, others have none at all.

The result is confusion. You, as an employer, can't tell just how well qualified job applicants really are.

Or which qualifications would improve the performance of your existing staff. Which creates a lack of confidence in the qualifications themselves.

Last year the government decided that something had to be done.

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They tell us the standards at work that qualifications need to meet.

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When it does reach the standard however,

it's stamped with our insignia and given the title of National Vocational Qualification. Or NVQ.

That's our seal of approval. A sign that someone really will be useful to your company.

And you will be able to tell just how useful because all NVQs are classified according to occupation and level of competence.

You will also know which qualifications would help your employees increase their own efficiency and productivity.

We don't give the title of NVQ easily.

For example, when we asked the retail sector to review its qualifications, none merited the title of NVQ as they stood.

So now all involved are working flat out to ensure the qualifications reflect the industry's needs.

Some industries have already established appropriate standards.

As a consequence we've granted NVQ status to certain qualifications in hotel and catering, vehicle maintenance and repair, electrical contracting, as well as agriculture and the retail travel business.

But then we have also turned some down.

The NVQ is reviewing qualifications in many different fields, making sure they are worth the paper they're printed on.

Because if the qualification system doesn't work, it's not just your employees who get their fingers burnt.

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If you think your own business or industry could benefit from our help write to the National Council for Vocational Qualifications, 221 Euston Rd., London, NW1 2BZ, for more information.

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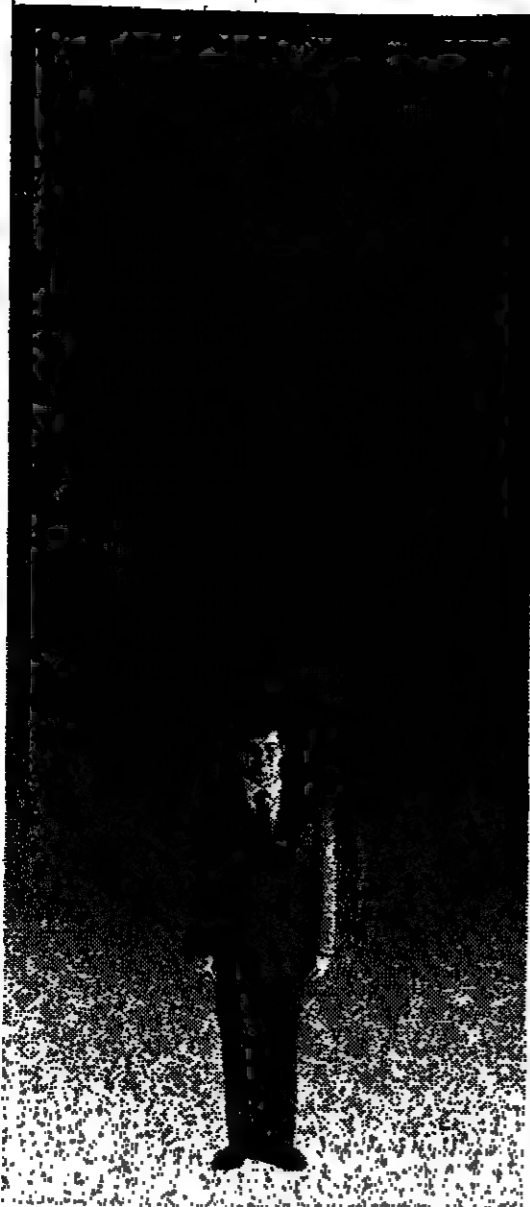
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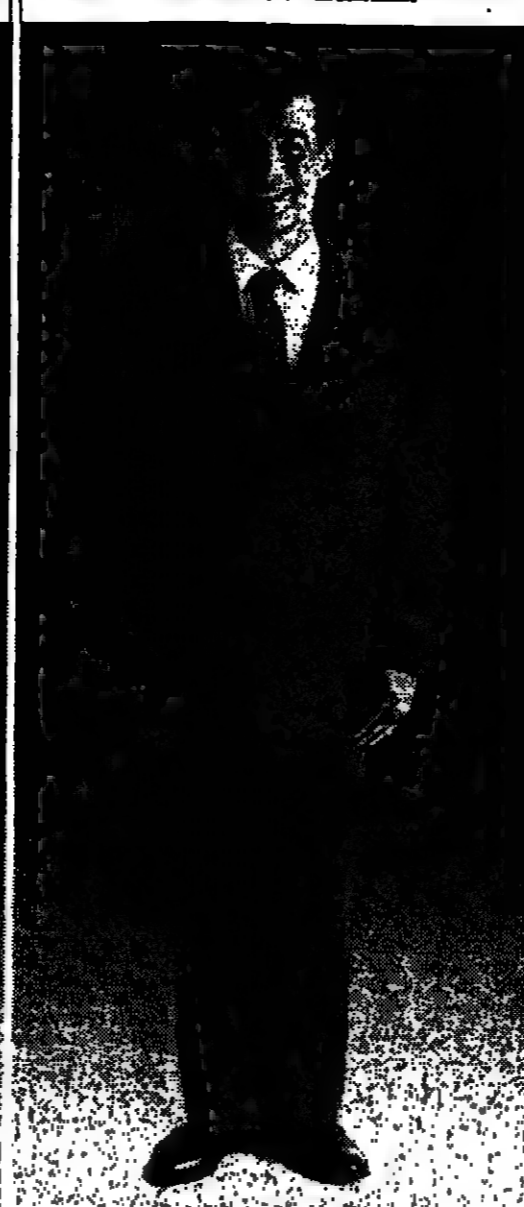
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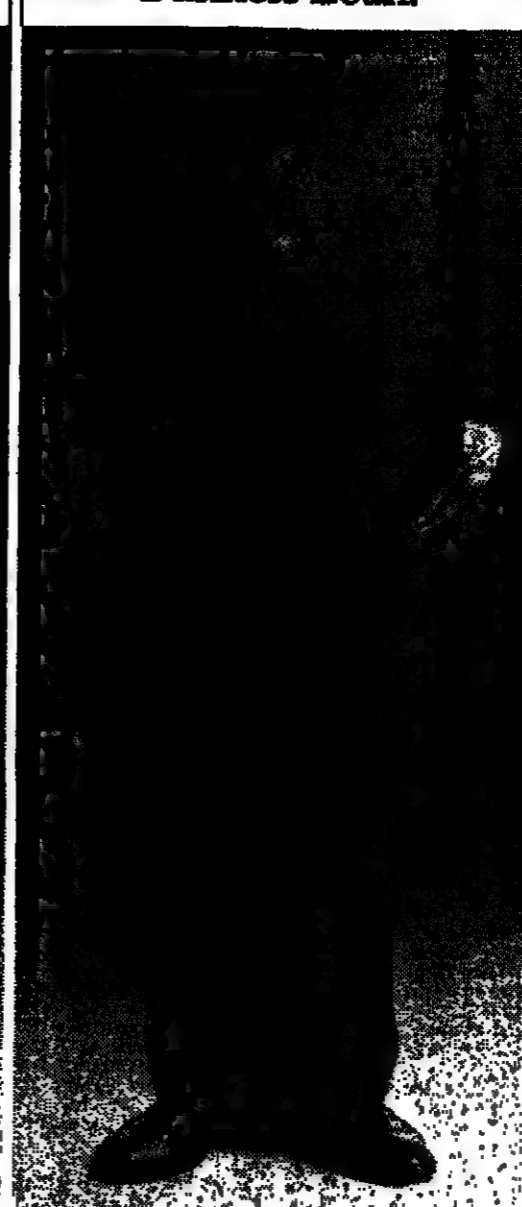
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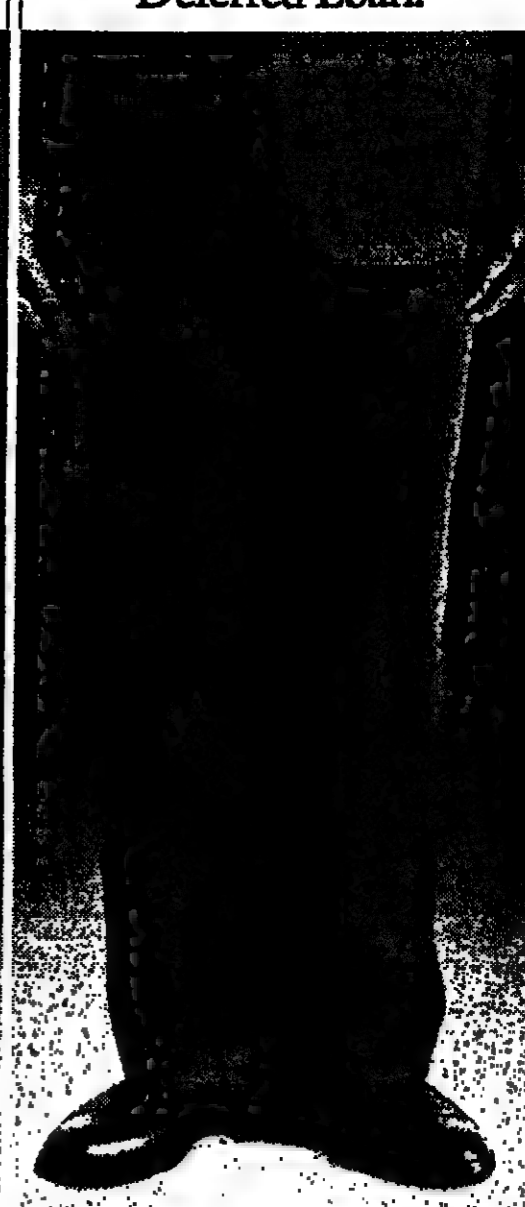
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UK NEWS - PARLIAMENT and POLITICS

Heath plea for more debate on reform bill

By Tom Lynch

MR EDWARD HEATH, the former Tory Prime Minister, last night criticised the amount of time made available for the debate on the Government's education reform bill after Labour had rejected a Government compromise.

During business questions yesterday, Mr Heath repeated the plea by Mr Neil Kinnock, the Leader of the Opposition at last week's Question Time that two days be allowed for the second reading debate instead of the one day planned next Tuesday.

Mr Heath said the bill represented a radical transformation of the education system in England and Wales, and many MPs would want to speak. He recalled that the last major reform, the 1944 act, had had a two-day second reading debate followed by 14 days committee consideration on the floor of the Commons.

His request was turned down by Mr John Wakeham, the Leader of the House, and it later emerged that the Government had offered, in behind-the-scenes discussions with Labour, to extend the debate until midnight on Tuesday, instead of the usual 10pm vote.

The offer was apparently rejected on the grounds that the debate would end in a "ragged" manner, but Conservatives voiced suspicion that Labour whips were concerned about their ability to muster a full turnout of MPs for a late vote.

In the Commons, there was laughter when Mr Ian Gow (C, Eastbourne), a former close aide of Mrs Thatcher, suggested that Mr Heath might serve on the standing committee of the bill which will consider the bill line by line.

It would be almost unprecedented for someone of Mr Heath's seniority other than a minister or Opposition spokesman to serve on such a committee.

SDP urges education package

By Michael Cassell, Political Correspondent

EDUCATION vouchers for every one over 18 years old, enabling them to buy education of their choice, are suggested in a package of alternative education reforms outlined yesterday by Mr Robert MacLennan, the leader of the Social Democratic Party.

Mr MacLennan, set out in a statement what he described as the "opting-in" approach to education, in direct contrast to government "opting-out" proposals which he claimed were based on elitism and would destroy the community and local democracy.

In addition to the voucher plan, the SDP leader suggested that the Government should introduce a "personal learning plan" along the lines of personal pensions. Individuals and employers would make tax-deductible contributions or tax proceeds of the plan would be used for any training or educational purpose at any time during the contributor's life.

Mr MacLennan also said that schools should be able to decide for themselves their maximum capacity, subject to local authorities, which would also be able to allocate budgets.

Other proposals would enable parents to be granted representation at classroom level, while there would be a "sensitive" system for appraising teachers.

Lawson rules out further interest rates cut

By Tom Lynch

THE GOVERNMENT has no plans for any further reduction in the level of interest rates, Mr Nigel Lawson, the Chancellor, told the Commons yesterday, hinting that no change was likely before Christmas.

Pressed at Question Time by Labour and some Conservatives concerned at the effect of interest rates on industrial costs, Mr Lawson reminded MPs of the one-point fall in base rates in the past month and added: "I don't think any further reduction is called for."

"Although we are all concerned with the possible recessionary influence that may come from the stock market collapse, especially from the US, there are still inflationary forces in the economy that have to be kept under control."

The Chancellor said he hoped there would be a meeting of the Group of Seven leading Western economies before Christmas. Reminded by Mr John Smith, the shadow Chancellor, that he had originally wanted a meeting within a week of a deal on cutting the US budget deficit, Mr Lawson said he wanted to be sure the US Congress would support the package negotiated between its leaders and the administration - which would not be clear until after this weekend's US public holiday.

It was also important "to make sure that there are proper preparations for a deal on cutting the conditions are right for all parties concerned to agree to a stabilisation of the dollar."

"That is an essential element in avoiding recessionary dangers."

Later, Mr Smith wrote to Mr Lawson alleging a divergence of view between the Chancellor

Walker refuses nomination

By our Political Correspondent

THE FATE of the Scottish Affairs Committee has been uncertain following the refusal of Mr Bill Walker, the Tory MP for Tayside North, to accept nomination by the Commons Committee of Selection.

The composition of the committee has created major difficulties for the Government, given its weak parliamentary representation in Scotland, but an agreement looked likely following lengthy negotiations between party whips.

Under the formula proposed and entered on the Commons order paper by the Committee of Selection, the Tory MP for Tayside North, to accept nomination by the Commons Committee of Selection.

Mr Walker's withdrawal cast fresh doubt on the Government's ability to establish a Scottish Affairs select committee over which it exercises control. The choice left to the Tories is to put renewed pressure on Mr Walker to sit on the committee, to let it operate with four Tory MPs - it would have a theoretical but shaky majority because the Labour chairman would not have a substantive vote - or not to form the committee.

Further efforts to find a solution are underway in the hope that the problem can be resolved by next Wednesday, when the membership of all the Commons select committees is to be debated in the House. Their formation has been held up by continuing arguments over their composition, and the matter is having to be debated because of objections from some Tory backbenchers about their final shape.

Mr John Wakeham, the Leader of the Commons, said yesterday that he deplored the time it had taken to negotiate the committee composition.

POSSIBILITY OF VAT ON BOOKS LEFT OPEN

MR NIGEL LAWSON, the Chancellor, yesterday refused to commit the Government to retaining the zero-rating of books for value-added tax, writes Tom Lynch.

He was challenged at Question Time by Mr Sam Galbraith (Lab, Strathkelvin and Bearsden), whose constituency includes William Collins, the publisher, which specialises in the Bible. Calling for a categorical assurance that VAT would not be levied, he asked Mr Lawson: "Are you intent on taxing knowledge? Will you tax the Bible?"

Mr Lawson thanked him

for his "Budget representation", which he would note as he noted all such representations.

He insisted that the Government would block the levying of VAT on items specified by the Prime Minister during the general election campaign - food, fuel and children's shoes and clothes.

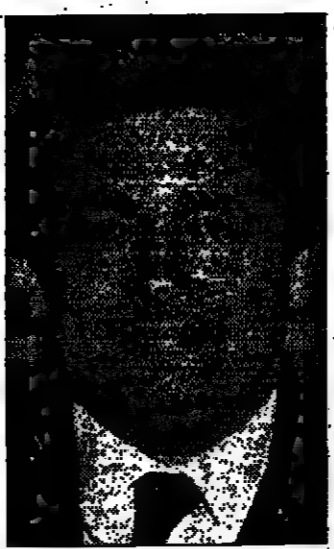
"As for any other matters, we will stick to the convention that statements are made at the time of the Budget and at no other time."

The Chancellor expressed sympathy with Sir Anthony Grant (C, Cambridgeshire South West) who argued

that the present £21,300 level of turnover at which a business becomes liable for VAT was "absurdly too low".

Mr Lawson said the level was the maximum allowed by the UK's treaty obligations to the EC. "We are pushing very hard for that to be increased."

There was a net increase in the number of companies registering for value-added tax of 500 a week between the end of 1979 and the end of last year, Mr Peter Brooke, the Treasury Minister of State, told the Commons yesterday.



Nigel Lawson: inflationary forces still at work

Labour MPs shout down Thatcher in health debate

By Ivor Owen

INFURIATED Labour MPs shouted down Mrs Margaret Thatcher, the Prime Minister, in the Commons yesterday when she responded to complaints that people were dying because health authorities had inadequate funds by quoting statistics showing that the present Government has provided more resources for the National Health Service than its Labour predecessor.

At one point Mr Andrew Farnis (Lab, Warrley E) described her attitude as "disgraceful" and said, "You silly woman - they are dying."

The Speaker (Mr Bernard Weatherill) intervened to insist that the Prime Minister must be given the opportunity to answer. Mrs Thatcher, strongly supported by government backbenchers, doggedly continued to "give the facts" - major improvements in health care since Labour left office in 1979 included more doctors, hospitals, nurses and midwives, and the number of babies who died within seven days of birth had gone down by a third.

Labour MPs also gave a rough ride to Mr Tony Newton, the Health Minister, when he replied to an Opposition motion calling for action by the Government to ensure that district health authorities are not forced to balance their budgets by ordering more hospital beds to be taken out of service before the winter peak of patient admissions.

Mr Newton, showing more political dexterity than the Prime Minister, stressed that the Government would wish to make more resources available over and above the increase provided since Labour left office.

He also urged Labour MPs to accept that however much money was made available to the NHS - "and we have made available significant extra amounts" - it would always be possible to use more.

Mr Newton estimated that the additional sums accruing from the new charges for eye tests and dental examinations and other income generating proposals in the white paper on primary health care would be in the range of £20m to £70m.

These sums, he said, would not be available under the policies of a Labour Government, and, on past performance, it would not be able to make the present Government's success in increasing the proportion of the gross domestic product devoted to the NHS through successful management of the economy.

Mr Robin Cook, Labour's shadow Social Services Secretary, claimed that the common source of the difficulties being faced by district health authorities throughout the country was the inadequate funding which the Government was providing.

He asserted that while Conservative backbenchers, under pressure from their whips, were supporting the Government in the Commons they were endorsing the criticism being expressed by their constituents about the inadequacy of the provision being made for health care.

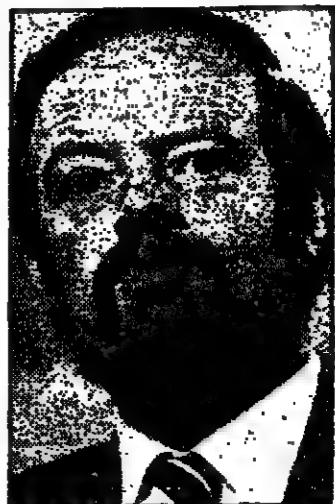
Mr Cook recalled that the operation on six-week-old David Barber to deal with a "hole-in-the-heart" condition had been postponed five times in six weeks, and said 70 operations had been cancelled by the same unit in Birmingham in the last five months alone.

While accepting that the problems of the health service could not be solved immediately by "throwing money" at it, he maintained that the crisis in the NHS was "profound" and rose above political partisanship.

When Edward Heath became Tory leader he was removed from the shadow Cabinet and often took an independent and critical right-wing line.



Tony Newton: showed his political dexterity



Robin Cook: claimed services were inadequately funded

MPs seek northern assembly

By our Political Correspondent

TWENTY-SEVEN northern Labour MPs are pressing for the creation of an elected northern assembly to act as the major economic and strategic planning authority for the region.

The Northern Group of Labour MPs, chaired by Mr Giles Radice, the MP for Durham North, is to introduce a bill in January which would establish the non-legislative assembly and also set up a Northern Development Agency. The agency would have similar powers to the Scottish

and Welsh Development Agencies.

Apart from its strategic planning role, the assembly - planned to be operational in the 1990s - would direct and co-ordinate regional economic aid, including assistance in the shape of EEC funds, and would also co-ordinate all regional offices of central government departments.

The MPs say that their initiative, which stands little chance of reaching the statute book, would for the first time give the

northern region a say in economic planning and development.

They intend to carry out further consultation on likely additional powers and functions covering issues such as health, water, higher education, tourism and leisure.

Mr Radice said last night: "We want to insert democracy and control over the administration of economic policy and of government departments as they affect a region which has been badly neglected by Westminster."

Next week's parliamentary business

COMMONS

MONDAY: Housing Bill, second reading.

TUESDAY: Education Reform Bill, second reading. Appropriation (Northern Ireland) Order.

WEDNESDAY: Debates on Opposition motions on the economy and protecting lives at work and in the community. Membership of departmental select committees.

THURSDAY: Debate on reports of the public accounts committee.

FRIDAY: Backbench motions on the situation in Cyprus and regional inequality in the UK.

LORDS

MONDAY: Copyright, Designs and Patents Bill, committee. Merchant Shipping (Passenger Ship

Construction) (Amendment No 2) Bill, committee.

TUESDAY: Criminal Justice Bill, third reading. Farm Land and Rural Development Bill, committee.

WEDNESDAY: Debate on the effect of the world economy on the UK.

THURSDAY: Copyright, Designs and Patents Bill, committee. Air Navigation (Noise Certification) Order.

OBITUARY

Lord Duncan-Sandys - former Cabinet minister

LORD Duncan-Sandys, who held major Cabinet posts in the Churchill and Macmillan governments, died yesterday at his Westminster home at the age of 79.

As Commonwealth and Colonial Secretary he had taken a leading role in giving the last of Britain's colonies independence following Prime Minister Macmillan's famous "winds of change" speech.

He first entered parliament in 1935 MP for Norwich and was one of the last surviving members of Churchill's wartime government. It was in 1935 that he married Churchill's daughter, Diana, but that marriage was dis-

solved in 1950. He remarried in 1962.

In later years he entered business and became chairman of Lorch where he was a key supporter of Mr Tiny Rowland, the chief executive, in the company's takeover battle for the House of Fraser group. He retired from that post in 1984 and became life president of the company.

An aloof, patrician figure with a stubborn streak he was regarded as an extremely able one of the last surviving members of the Conservative Cabinet but never achieved the popularity necessary to become a serious contender for the party leadership.

He was born into a political environment. His father was George Sandys, a wealthy Tory MP. His first political speech was composed at the age of four: "The Blues is the good ones. The reds is the bad ones. Vote for my daddy."

After Eton and Magdalen College, Oxford, he entered the Diplomatic Service but resigned in favour of politics in 1933. At that time he founded the "British Movement", a radical, right-wing Conservative group preaching Empire unity and social progress.

In the early war years he saw active service in the Army in Norway but was badly injured in a car crash in 1941. This left him with two badly crushed feet and a permanent limp.

From 1941 he was a Junior War Office minister and was in charge of planning defences against the V1 flying bombs and V2 rockets. He entered the Cabinet as Minister of Works in December 1944.

In the 1945 general election he lost his seat and did not get back into the Commons until he was elected for Streatham in 1950, a seat he held until 1974. During his years out of office he devoted himself to the founding of the European Movement which was the forerunner of Western European unity and the Com-

mon Market. Back in the Commons as Minister of Supply from 1951 to 1954 he was responsible for denationalising steel against bitter opposition from Labour.

He was Minister of Housing from 1954 until 1957 but made a greater impact as Defence Minister from 1957 to 1959. His proposals for reliance on nuclear defence at the expense of manned aircraft caused great controversy at the time and was strongly opposed by RAF chiefs.

At the Ministry of Civil Aviation from 1959 until 1960 he forced the big aircraft manufacturing companies to amalgamate and first put the case for Concord to the Cabinet. As Com-

monwealth Secretary from 1960 to 1964, which combined the job of Colonial Secretary from 1962, he led Kenya to independence and took a leading role in the Cyprus settlement.

He was noted for his grinding application to work and attention to detail. Macmillan said of him: "If genius is the art of talking infinite pains we have here the greatest mind since Leonardo da Vinci."

When Edward Heath became Tory leader he was removed from the shadow Cabinet and often took an independent and critical right-wing line.

John Hunt

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THE NATION'S MOST CENTRAL LOCATION

In a series on industrial sectors, Alice Rawsthorn looks at the clothing industry's efforts to win back market share

Textile makers cut their cloth to match bracing climate

FOR CENTURIES the thriving textile mills of Lancashire and Yorkshire were an emblem of Britain's industrial prosperity. But in the early 1980s the derelict mills of the north became a symbol of industrial decline.

Yet, as the decade has worn on, the decline of the textile sector has halted. The mill closures, job losses and fall in output have ceased. Productivity and profitability have risen significantly. And although there is no evidence of an increase in production, or that the industry has the confidence to replace its lost capacity, government ministers like to cite textiles as an example of an industry in resurgence. Are they justified in doing so?

The economic recession of the early 1980s hit hard at every area of manufacturing industry, but for the textile industry the blow followed three decades of decline.

This began in the early 1950s as the West German and Italian textile industries gathered momentum and the new textile sectors of Britain's former colonies in the Far East began to flood the British market with cheap clothes and clothing.

Within two decades, employment in the industry had halved and the level of output had fallen below that of West Germany and Italy. Between 1981 and 1986 more than 200 textile mills were closed.

Today, employment in textiles

has shrunk to a quarter of what it was in the early 1950s. But the industry is still a powerful force within the manufacturing sector. It employs almost 500,000 people, nearly a tenth of the manufacturing workforce.

The corporate structure of the industry has changed dramatically. Long-established groups such as Courtaulds and Tootal have withdrawn from unprofitable areas. Hundreds of family firms have disappeared and been replaced by forces such as Coats Vipeella, Crowthers and Coloroll.

When government ministers use textiles as an example of resurgence, three familiar themes emerge: the higher calibre of management, the introduction of new technology and the consequent improvements in productivity.

The appointment of Sir Christopher Hogg as chairman of Courtaulds in 1980 marked a radical change in the pattern of textile management. Sir Christopher introduced a new breed of bright young executives (drawn from other industries). This initiative has since been adopted by other companies.

The changes in management style coincide with an accelerated pace of technological change. In the past two decades the advent of shuttleless looms has transformed the weaving industry. The new machines are far faster and more efficient than their predecessors. The time taken by Coats Vipeella to make a man's shirt, for example, has almost halved in the past three years.

Its chief executive, Mr David Alliance, is fond of stating that his company can 'make textiles for the British market cheaper in Lancashire than anywhere else in the world.' Weaving and spinning have been transformed from labour industries to capital intensive industries.

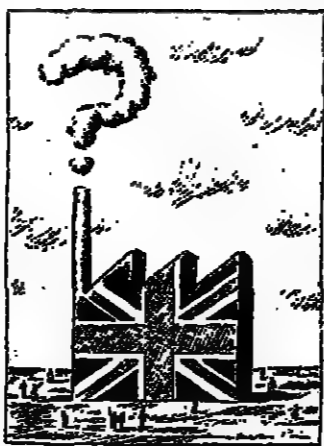
To suit, the industry has adopted more flexible working patterns enhancing shift systems and multi-skilled labour. By and large there has been little opposition from the trade unions, possibly because the textile industry is concentrated in some of the most depressed areas of the country leaving the unions with little bargaining power.

The combination of new technology and flexible working patterns has created textile mills working around the clock - the cutting rooms of William Baird's clothing companies now work three shifts a day, five days a week. The impact on productivity has been dramatic; the British Textile Confederation estimates that productivity has risen by 40 per cent since 1980. Profits have also risen.

In this domestic context the British textile industry seems to be in fine fettle. But a true picture can be gained only by comparing it with its international competitors, specifically the West Germans and Italians who now dominate the European textile industry.

In theory the British textile industry is in a position to win back some of the market share it lost during the years of decline. It has two advantages over its competitors: comparatively low labour costs and favourable changes within its domestic market.

A recent analysis by Werner, the international management consultancy, estimated the average hourly wage of a worker in the British spinning and weaving



sectors at \$7.09 (\$3.96), compared with \$12.98 in West Germany and \$12.67 in Italy.

Moreover, the structural changes within the British retail sector - the introduction of electronic point-of-sale systems which enable retailers to monitor the flow of merchandise more efficiently - have given British manufacturers a competitive advantage over their overseas counterparts.

In theory these changes should have benefited the industry, but there are few signs of a sales increase. The output from the spinning and weaving sectors last year hovered at 85 per cent of its 1979 level, while clothing production was 6 per cent lower than eight years ago.

As a result there are few instances of companies increasing capacity.

Moreover, import penetration has risen, rather than fallen, since the early 1980s. Imports accounted for 30 per cent of the clothing market in 1982 and 32.2 per cent last year, according to the British Clothing Industry Association. This year the industry expects a further increase, principally of Far Eastern goods, buoyed by the weakness of the US dollar with which their currencies are linked.

The British industry, resigned to the influx of Far Eastern goods, is now looking to Europe as the likeliest source of future

growth: both in terms of winning back sales from European producers in the home market and of boosting exports.

Until recently the industry's progress was not encouraging. Imports from Europe had increased since the early 1980s and the progress of exports had been dull. But in the past year the picture has been more promising. The influx of imports has been halted, while exports to Europe have increased.

At this stage it is difficult to say whether these gains are the foundations of future growth, or a reflection of the short-term benefit of a competitive exchange rate. Nevertheless, Britain's share of trading within the EC is still disappointingly lower than its share of output.

The simplest explanation for this shortfall is that, despite the gains of recent years, the British textile industry is still less productive than its chief competitors in West Germany and Italy.

Last year Werner conducted an exercise to gauge the level of output per man hour in the production of a standard cotton yarn. The Italian industry, the most efficient in Europe, was rated at 100 and the West German at 96, while Britain lagged behind with 68, on a par with France, Portugal and Spain.

Britain's poor productivity is scarcely surprising given the comparatively low level of modern-

isation within its industry. By domestic standards, the British textile industry has invested heavily in new technology, but by international standards much of its equipment is hopelessly outdated.

In cotton weaving, for example, Italy was equipped with 20,150 active looms in 1986, half of them modern shuttleless models, according to the International Textile Manufacturers Federation. West Germany sported 24,100 looms, half shuttleless. The British spinning sector was not only smaller, with just 14,230 looms, but less modern, with shuttleless looms accounting for scarcely more than a third of the total.

It would be churlish to disparage the very real advances made by the industry since its nadir in the early 1980s: the new spirit of management, the investment in new technology and the leaps in productivity. In comparison with France, for example, Britain has fared well, but it has further to go to catch up with West Germany and Italy. The dark days of mill closures and job losses may be over, but the time of increased capacity and job creation - of real resurgence - is a long way off.

This series will be concluded next week. Previous articles appeared on November 23, 24, 25 and 26.

By Alice Rawsthorn

High-tech textile maker to expand

By Alice Rawsthorn

THE LANTOR GROUP, which makes high-tech textiles, plans to expand its production plants in Bolton, Lancashire and South Korea, creating jobs at both plants.

At its Bolton factory, which produces non-woven textiles for medical and industrial use, Lantor intends to expand capacity by 25 per cent.

The additional capacity will manufacture non-woven textiles for use in medical products like surgical swabs and dressings. Production will begin in May. The expansion will create a number of jobs at the plant which employs 250.

In South Korea, Lantor plans to double capacity at its interlinings factory near Seoul. The factory, which has a workforce of 100, supplies non-woven interlinings to the clothing industry throughout the Far East.

The Lantor Group was formed in the late 1960s as a joint venture between Tootal, the Manchester-based textile group which is its managing shareholder, and West Point Pepperell, of the US.

Lower Don Valley 'will need £516m to make recovery'

By IAN HAMILTON FAZIE, NORTHERN CORRESPONDENT

THE 2,600-acre Lower Don Valley in Sheffield will need £516m of investment over seven years if it is to recover from the widespread dereliction caused by reconstruction of the steel industry and recession, according to an independent consultants' report published yesterday.

The £50,000 report, funded by government, Sheffield City Council and the local business community through the chamber of commerce, is by a group of planners, surveyors and engineers from Coopers and Lybrand, Drivers Jonas, Crouch and Hogg, and Sheffield Polytechnic.

The valley - one of the north's most depressing eyesores - was devastated economically by the closure of eight large companies between 1974 and 1980. This led to 85 per cent of the valley's land becoming derelict, involving 1m sq ft of largely unconvertible factory space.

About 18,000 jobs were lost - more than half the total in the valley. Sheffield's unemployment rose from 4 per cent to 18 per cent in 1978-84 and there are still 44,000 jobless in the city.

However, the valley is still a key national centre for the metals industry, with special steels manufacture and processing, cutlery and toolmaking foundries, and scrap metal operations. These accounted for 72 per cent of the 17,000 remaining jobs, involving 48 per cent of 400 businesses of which 86 per cent employed under 60 people each.

Most are unhappy: the report reveals that 80 per cent of the companies want improvements to the environment and infrastructure. Under 10 per cent have made any significant investment in the last three years.

Barriers to recovery include a poor image and development climate, unco-ordinated promotion, scattered sites, diverse or mixed ownership requiring powers of land assembly, pollution, and poor services.

These are worsened by the valley having too narrow an industrial base, lack of marketing

skills among small businesses, scarcity of local financial institutions, low rental levels that discourage private building, modern skill shortages among local unemployed, lack of innovation in product design and processes, and low investment in building.

The report suggests a four-pronged attack involving land assembly and reclamation, six flagship projects, industrial, environmental and training programmes, and positive image-building.

The strategy envisages a private sector contribution of more than \$313m initially, in a ratio of more than 3 to 1 with public sector funding.

The report also tackles what in Sheffield is the most delicate of political problems - who should run the strategy. Sheffield City Council's municipal-led approach to economic development has put it into almost constant conflict with the Government.

The report says the Labour-controlled city council should not be put in charge because any initiative could then not be led by the private sector and the council would not present the sort of image needed to attract private sector investment.

It also rejects the valley being made into an urban development corporation because the council would not support it.

They therefore suggest a new approach in which the area would be designated an Urban Regeneration Project. This would involve setting up a private sector body with a management board appointed by the Government, Sheffield City Council, the private sector and community organisations.

It would negotiate a five or seven-year funding programme with the Government but would be largely dependent on existing urban and environmental grant mechanisms.

If this is not acceptable the report suggests a 'modified' UDC with no planning powers, which would be left with the local authority.

KINGS CROSS FIRE Public Inquiry

A preliminary meeting of the formal investigation into the Kings Cross fire will be held, before Mr. Desmond Fennell OBE QC, at 10.30 am on Wednesday 2 December 1987 in Church House, Great Smith Street, London SW1.

Any persons, or their representatives, who were involved in the fire or who may have relevant information they wish to put before the investigation are invited to attend and should inform the Department of Transport in advance by telephoning 01-212 3434.

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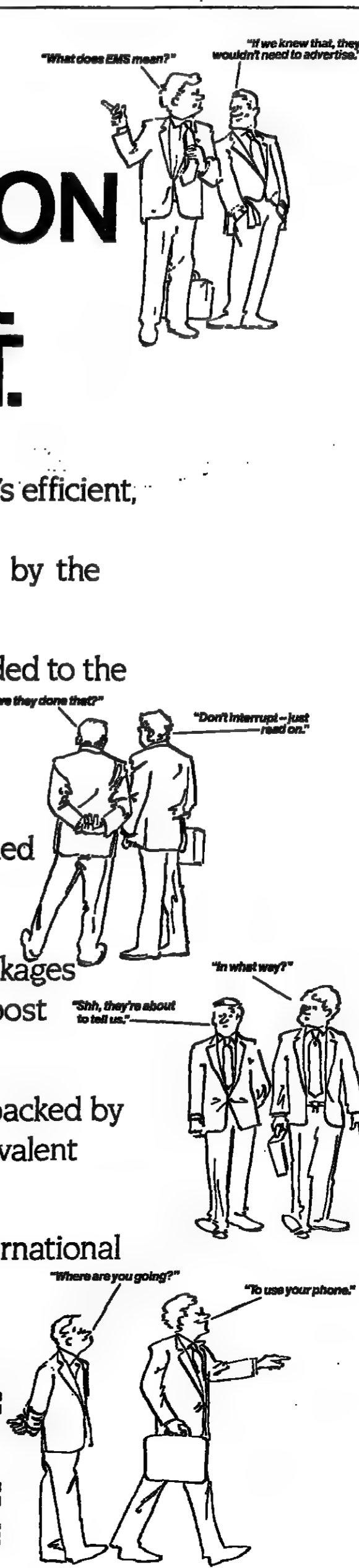
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THE PROPERTY MARKET

Why City developers may relax their terms

TRYING to work out what will happen in the City of London office market is a bit like trying to read tea leaves when the beverage is still being poured out of the pot.

Perceptions have been changing faster than the facts behind them. Before the equity market fall, lay-offs in the securities industry - Salomon, Shearson Lehman and so on - were shrugged off as normal adjustments after deregulation. Now those "normal adjustments" are cited as evidence of a contraction in the industry which will spin off into appreciably lower demands for office space.

The bare fact now is that space in the City is very tight. The new buildings that have become available this year are answering demand that registered in previous years, crucially from the financial sector but increasingly from the professionals who support them.

So the question is whether the demand will be sustained. The hardening conventional wisdom is that supply and demand will come into balance in 1989 instead of 1990-91, but it is the wisdom of guesswork not of calculation.

In the marketplace, where the very shortage of accommodation inevitably restricts deals, business is still being completed, since Monday October 19, the

first day of the London equity tumble, S.G. Warburg has signed to take 2 Finsbury Avenue and County Natwest has signed a sub-lease from Shearson Lehman at Broadgate, the biggest office development in the City market. These contracts were arranged before October 19 and just carried on. They did not fall apart.

This is not to say that all is normal. "There are some very nervous people around," said Nicholas Baucher of Baker Harris Saunders, the surveyors who have specialised in the City market. "Tenants are holding back and they are waiting to see which schemes will go," he added, pointing not to lack of demand but concern as to how that demand might be satisfied.

Because perceptions about the future of the financial markets have changed, delay makes sense in terms of signing up for accommodation. "Five weeks into the fall is not the right time for property decisions - that's much longer term. You don't move in and out of property every other week," noted Michael Heath of Smith New Court.

Now that the idea has caught hold that rents could stabilise after their meteoric rise the big office occupiers can afford to wait to see if the market moves their way. But they carry on looking.

Midland Bank which is wro-

ling with around 20 head office buildings spread over the City is continuing its search to consolidate. The market fall "has not diverted us at all," said a spokesman. The bank has been looking at London Bridge City, but has been put off by the planning problems that have hit St Martin's Property, the developers. Its attention is directed towards Broadgate and Canary Wharf in London Docklands.

Similarly with Lloyds Bank, which has already taken space at London Bridge City. With two dozen head office departments in the City, said Tony Mundy, "we are looking for consolidation - but at the lowest possible cost. It is more likely we would go for a fringe location than King William Street (in the heart of the City)." The point here is that the equity crash has had no effect on staff numbers. The accommodation needs are unchanged.

The financial houses whose needs could reduce are those which dispense with whole departments, not those who might shave off one or two people here and there. Goldman Sachs, which has bought the old Daily Telegraph building on Fleet Street for redevelopment, is not planning to get out of any of its areas of business.

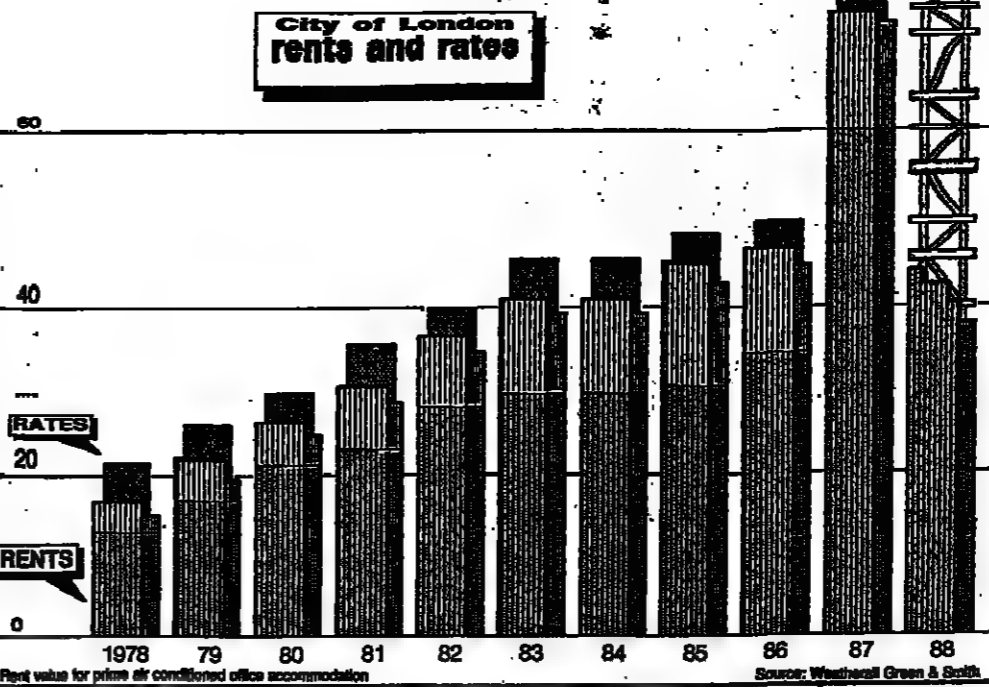
"Our projections for space look a bit less bullish than six months ago," observed Brian Baker, the

vice president, "but the order of magnitude is not sufficient to steer us away from what we're trying to do." He noted that while the financial world can change rapidly "we still see a long term requirement for additional space in London." Uncertainty though is compounded when rationalisation is in the air. This is one factor which caused James Capel to back off taking space at Broadgate. Its parent, Hongkong and Shanghai Banking Corporation, wanted more time to consider space needs in the light of its acquisition of a stake in Midland Bank.

The other factor was that the Broadgate building was too large for James Capel and a third of its would have to be sub-let. Such exposure to the property market was more than Hongkong and Shanghai or James Capel wanted.

James Capel's withdrawal from Broadgate followed that of Paine Webber. But Peter Kershaw of Rosehaugh Stanhope, developers of the Broadgate complex, said that a further 10 negotiations were in the hands of solicitors. Interest in the space had not fallen off, he stressed. Further, even if the interest from the financial houses was eliminated, there would still be the demand from the service sector, the accountants, solicitors and so on.

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First value for prime or conditioned office accommodation

Source: Westland Green & Smith

So there is life in the City yet. Whatever the shake out in the financial sector, there remains the problem of outdated accommodation, ill-suited to the needs of modern communications technology. What appears to be changing is the calculation of the price that needs to be paid in order to obtain it.

And that, of course, is the Canary Wharf card. Robert John, the UK chief executive of Olym-

The market though will take its flavour from the large transactions. And here a litmus test of its vigour will be the response to the marketing, early next year, of Lutyens House, the Greycoat 200,000 square feet redevelopment behind the existing facade and of Beaufort House, a 300,000 square feet new building from P&O and Mountleigh. The change in atmosphere suggests that the developers will be more willing to relax their terms than they would have been five weeks ago.

THERE are 150 building sites in the City of London and developers have been racing to cash in on the spiralling rents. Some represent the City's oldest buildings handed out planning consents for 19m sq ft of space in the last two years in an attempt to ensure that the financial services sector stays in the Square Mile rather than being tempted by Docklands a few miles to the east.

But supply of space has not yet caught up with demand. In the latest batch of market reports from surveyors, Richard Saunders reported that available space had fallen again in September to 1.97m sq ft, although the amount of space let or placed under offer had fallen.

Over the last year, calculated Saville, demand has been over 8m sq ft, more than double the previous year, of which nearly half was pre-let for space to be delivered over the next three years.

The present shortage will continue during 1988 but begin to fall in 1989, so that rental growth is likely to carry on over the next year, according to Hillier Parker. David Park, the City District Valuer, expects the first rent of 500 a sq ft by next April.

At the moment there is around 5m sq ft of space under construction which will be ready before 1990, and another 20m sq ft planned after that date. Whether it will all be built is doubtful. The City planners are pre-empting more stringent guidelines more stringently, and the banks may begin taking a more jaundiced view of developers' fanciful schemes.

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OFFICES, COVENTRYA prime City Centre
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80ND STREET, West furnished office room
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Attractive Period Building
1,600 up to 7,300 sq.ft. approx

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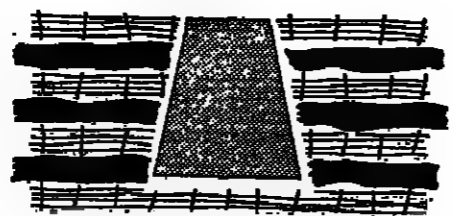
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Offices for Sale West End, superb
period office buildings, close to Heathrow
14 plots 100,000 sq.ft. approx
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£38,500,000

Limited-recourse loan facility for the development of this high quality office complex by

National Leasing & Finance Co.

In association with

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THE TORONTO-DOMINION BANK

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August 1987

On 30th November 1987
Morgan Grenfell Laurie
will open a
City Office

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LAURIE

City

Surveyors, Property & Financial Advisors
3 Throgmorton Avenue,
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FREEHOLD

Prime modern residential
and office investment in
prestigious new location.

Current income
£124,000 p.a. approx.
representing an initial
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All enquiries Ref: JRB
EDWARD SYMONS
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8000 Wilton Road
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NOW OPEN!
Prestigious fully serviced
offices and suites. Renters,
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available on request.

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Phone today for details and
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LOCAL LONDON GROUP PLC

KEY WEST
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REMAINING
35,000 SQUARE FEET
OFFICE ACCOMMODATION
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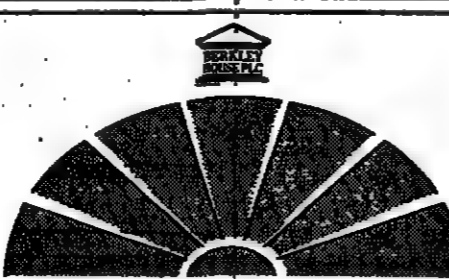
JOINT AGENTS

GODDARD
& SMITH

10 King Street, St James's
London SW1Y 6QZ
Telephone 01-930 7321

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8 High Street, Windsor,
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42
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NEWLY REFURBISHED
OFFICE BUILDING
OF UNIQUE CHARACTER
FOR SALE

01-937 2806

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8,790 sq.ft. of secure
warehouse/office space

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01-734-8155

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1 Million CU.M'S plus
for sale with agreed
consents - Adjacent
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The Hamilton Gee
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• FULLY REFURBISHED
UNDERGROUND (METRO)
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RAILWAY, FEW MINUTES
WALK.
• PARKING 6-8 CARS
• OFFERS OVER £1.4 MILLION

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AREA DO YOU WISH
to buy an apartment or a
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CONTACT US,
25 YEARS
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1804 Villars, Switzerland
Tel: 082818 GENEVA

Legal Notice

WELLINGTON SAILBOARDS
LIMITED

John Martin trustee of Dore Gully, Pleasant House,
Station Way, Reading, RG2 1UL, was appointed
Administrative Receiver of Wellington Sailboards
Limited (Incorporated in England) on 12th November 1987.
The company's registered office is at Wellington House,
Wellington Road, Reading, RG2 1UL. The company's
business is the sale of sailboards. The company's
accounts are kept at Wellington House, Reading.
The company's assets are situated at Wellington House,
Reading. The company's liabilities are situated at
Wellington House, Reading.

IN THE MATTER OF THE
INSOLVENCY ACT 1986
AND
IN THE MATTER OF R.K.U.
LIMITED
(In Receivership)

NOTICE IS HEREBY GIVEN, pursuant to section
48 of the Insolvency Act 1986, that a meeting of the
Creditors of the above named company will be held at
GREAT EASTERN HOTEL, LIVERPOOL
STREET, LONDON EC3 on WEDNESDAY 20
NOVEMBER at 2.30 p.m. for the purpose of
hearing and determining the report prepared by the
Administrative Receiver in accordance with the
said section and, if thought fit, appointing a com-
missioner.

Creditors whose claims are wholly secured are not
required to attend or vote at the meeting. Creditors
who are partly secured may only vote in respect of
the balance of the amount due to them after
deducting the value of the security, as estimated by
them. A creditor is required to state the value of the
security, by a bill of exchange or promissory note
must treat the liability of any person who is liable
on the bill as a security for the company's security
held by him (unless the other person is subject to
a bankruptcy order or is insolvent).

Creditors wishing to vote at the above meeting
must lodge a written statement of their claims
with me at 42, Gresham Street, London EC2A 3DF
on or before 12 noon on Friday 27 November
1987. A form of proxy, if intended to be used,
must also be lodged with me by that time. A copy
of any report can be obtained, free of charge, by
written request.

Dated this 16th day of November, 1987.
S.K. SINGH P.C.A.
Administrative Receiver.

KINGSTON-
UPON
THAMES
TOWN CENTRE

New high tech unit
4200 sq ft
Fully fitted

701-1599 or 940 4996.

BARNESLEY, YORKS.

an attractive Grade II listed
manor house set in 4 acres of fine
landscape grounds. DETACHED
P.P. for conversion to a 60 BED
NURSING HOME for sale by
tender.
Closing date 11th December 1987
Ref: GP/RDB. Details & Tender
forms from:

CHESTERTON
84 Colmore Row, Birmingham
B3 2HQ
Tel: 021 200 3111.

Personal

Highly Important
auction sale

rare wrist watches, pocket
watches, clocks
Frankfort (Airport) Hotel
Sheraton - Dec. 5th '87 at 2 p.m.
We offer early and complicated
Patek, Cartier, Audemars, Rolex
wrist watches. Pocket watches
from 17th to 20th cent.
Catalogue DM 35.

Auctioneers:
Dr. H. Grotz & K. Schmeider
Pontstr. 21, phone 09341-57605
D-5100 Aachen - West Germany
Germany's largest, most famous fine watches

AUCTIONS

The Financial Times
proposes to publish this
survey on Friday 29th
January. The following
areas will be analysed:

- a) Commercial property
- b) Residential property
- c) Agricultural land & farms
- d) Industrial investments
- e) Retail property

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01-248 5115.

FINANCIAL TIMES
Europe's Business Newspaper

Contracts & Tenders

INVITATION FOR BIDS
From Chairmanship of Special Commission of
Purchases, Sales and Tenders
ANKARA/TURKEY

15 cm. Diesel multiple Units of three coaches and their spares will
be purchased under Islamic Development Bank Finance.

- 1- The units with the description and quantity mentioned above
will be procured from foreign countries through sealed bids.
- 2- The sealed bids for the above requirement must reach us by
mail or be handed to our commission at the Supply Department
of the General Directorate of Turkish State Railways (TCDD) on
January 18th, 1988 at 15.00 hours.
- 3- The related tender documents may be purchased from under
our members at the General Directorate of Turkish State Railways
(TCDD) in Ankara or in Sirnak-Instanbul, at a cost of USD150,-
plus vat.
- 4- The subject of the bid will be indicated on the bid envelopes.
- 5- A bid bond at the rate of 2.5% of the total bid value must be
submitted together with the bids.
- 6- TCDD is completely free to withhold or to make the award in
full or in part to any of its choice

B-33831

Exhibitions

New business for responsive
European importers



First Latin-American Trade Fair in Europe. Pre-tested non-traditional
quality products from: Argentina, Brazil, Colombia, Costa Rica, Cuba,
Mexico, Nicaragua, Peru and Venezuela.

MONDAY 7 DECEMBER
TUESDAY 8 DECEMBER
WEDNESDAY 9 DECEMBER
THURSDAY 10 DECEMBER
FRIDAY 11 DECEMBER

Ahoj! Exhibition Centre
Rotterdam The Netherlands

For more information phone or telex: INTRASERVICE B.V.
Rotterdam, Tel: (0)10-467 44 55; Telex 27436 intra nl.

REPUBLIC OF INDONESIA

IN ACCORDANCE WITH THE PROVISIONS OF THE NOTES, NOTICE IS HEREBY GIVEN THAT THE RATE OF
INTEREST FOR THE PERIOD FROM 30th November 1987 to 31st May 1988 has been fixed at 7.75%
per cent per annum. On the 31st May 1988 interest of US\$27.14 per US\$100,000 nominal
amount of the Notes and interest of US\$68,000.00 per US\$680,000 nominal amount of the
Notes will be due against interest coupon No.12.

SWISS BANK CORPORATION INTERNATIONAL LIMITED

Reference Agent.

Company Notices

National Westminster Bank PLC

(Incorporated in England with limited liability)

ISSUE OF U.S.\$ 500,000,000
PRIMARY CAPITAL FRNs (Series "C")
(Floating Rate Notes)

In accordance with the provisions of the Notes,
notice is hereby given, that for the three months interest period
from November 30, 1987 to February 28, 1988
the Notes will carry an interest rate of % per annum.
The interest payable on the relevant interest payment date,
February 28, 1988 against Coupon No. 9 will amount to
U.S.\$ for Notes of U.S.\$ 10,000 nominal and
U.S.\$ for Notes of U.S.\$ 100,000 nominal.

Agent Bank
KREDITBANK
S.A. LUXEMBOURG

CREDIT LYONNAIS

U.S.\$ 300,000,000 Floating Rate Notes due 1995

In accordance with the provisions of the Notes,
notice is hereby given that for the interest period
from November 30, 1987 to May 30, 1988
the Notes will carry an interest rate of % p.a.
The interest payable on the relevant interest payment date,
May 30, 1988 against coupon n°10 will be
per Note.

The Fiscal Agent
KREDITBANK
S.A. LUXEMBOURG

WOOLWICH EQUITABLE
BUILDING SOCIETY
£200,000,000 Floating Rate
Notes due 1995

NOTICE IS HEREBY GIVEN by the issuer that notice of
the interest rate payable on the above notes will be
given to the holder of the notes on or before 15th
November, 1987.

Personal

NOW IN LONDON
The Jewel Among
Handmade Belgian
CHOCOLATES
33 Mount Street
London W1M 8AD
Tel: 01-436 1400
Open 9.30am to 2.30pm
Free off Street Display
(Crown Court)

NOTICE TO BONDHOLDERS
OF SEKISUI HOUSE LTD.
Yen 15,000,000,000
3% PER CENT
CONVERTIBLE BONDS DUE
1995 (the "Bonds")

Pursuant to Chapter 1, Subchapter (B)(iv) of
the Trust Deed relating to the Bonds,
notice is hereby given as follows:
At the meeting of the Board of Directors
of Sekisui House Ltd. (the "Company")
held on October 15, 1987 and October
31, 1987, the resolution was adopted for
the issue of convertible bonds, the pro-
cess of which was made on November 24,
1987. Such bonds are described as:

- (i) 30,000 Million Yen 1.5 percent
Convertible Bonds Due 2000;
- (ii) 30,000 Million Yen 1.5 percent
Convertible Bonds Due 2000;
- (iii) 20,000 Million Yen 1.5 percent
Convertible Bonds Due 1997; and
- (iv) 20,000 Million Yen 1.5 percent
Convertible Bonds Due 1995.

Pursuant to Chapter 1, Subchapter (v) of the
Trust Deed and Conditions of the Bonds,
the Conversion Price was adjusted from Yen
600.0 to Yen 601.0 per share of Common
Stock of the Company effective as from
November 23, 1987. Tokyo time.

SEKISUI HOUSE, LTD.

Public Notice

CANADIAN NORTH ATLANTIC

NOTICE TO BONDHOLDERS OF CANADIAN NORTH ATLANTIC
CANADA - UNITED KINGDOM FRANCHISE COMPANIES
LIMITED (CNAFC) (Incorporated in Canada)
SERVICE AND FINANCIAL CHARGES IN CANADA
The number of the of the above mentioned company is
registered in the United Kingdom, Northern Ireland and the Republic
of Ireland. The company is a member of the Canadian North Atlantic
Franchise Association (CNAFA) and is a member of the Canadian
Franchise Association (CFA). The company is a member of the
International Franchise Association (IFA). The company is a member
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Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

Preferred stock dividend

On Thursday, November 26 1987, the directors of the Corporation declared dividend No. 117 on the six per cent cumulative preferred stock, equivalent to three per cent, for six months ending December 31 1987, as follows:

Last day to register for dividend (and for changes of address or dividend instructions)	Friday, December 18
Registers closed from to (inclusive)	Saturday, December 19 Saturday, January 2
Ex-dividend on Johannesburg and London stock exchanges	Monday, December 21
Currency conversion date for sterling payments to shareholders paid from London	Monday, December 21
Dividend warrants posted	Monday, January 25
Payment date of dividend	Monday, February 1
Rate of non-resident shareholders' tax	13.4027 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and its transfer secretaries.

By order of the board
C. L. Maltby
Secretary

Head office:
44 Main Street
Johannesburg 2001

Johannesburg
November 27 1987

London office:
40 Holborn Viaduct
London EC1P 1AJ



Deutsche Siedlungs- und Landesrentenbank
Bonn/Berlin

DSL Bank

DM 100 000 000,—

Floating Rate Notes Schuldverschreibungen — Serie 225 1987/1997

For the three months 25th Nov. 1987 to 24th Febr. 1988 the notes will carry an interest rate of 3.90% (Floor less 0.10%) per annum with a coupon amount for DM 48,75 per DM 5 000,— note. The relevant interest payment date will be 25th Febr. 1988.

Listing in Düsseldorf and Frankfurt.

DSL Bank
Deutsche Siedlungs- und Landesrentenbank
Kennedyallee 62—70, 5300 Bonn 2
Telephone 02 28 / 885-215
Telex 226324 DSL Bank

CONTRACTS

Refurbishing Cardiff's New Theatre

BOVIS CONSTRUCTION is undertaking a £3m refurbishment of the New Theatre Cardiff. The project involves maintaining the Grade II listed facade of the theatre, major interior alterations involving partial demolition and provision of services throughout the building.

Inside the foyer and rotunda floor levels, access stairs and office accommodation will be demolished. The roof will be removed and raised along the

Greyfriars Road elevation. A grand spiral staircase will be constructed and provide access to the three new foyer levels and basement. The design of the staircase will echo the balustrades on the external dome and provide an open view of all floors.

Refurbishment work in the auditorium area will include an extension of the present gallery level to the box area, a new rear access to the circle and new

gangway links for the front and rear circle areas. The stalls will also include a raised area for disabled patrons and an enlarged control room.

Although some improvements were made backstage in 1986 a new star dressing room with ensuite bathroom will be built on the site of the present stage door, while the other dressing rooms will be decorated and there will be new shower and toilet facilities.

Office accommodation in the dressing room area will be relocated to a new level above the foyer and new dressing rooms created in the vacated areas.

A steel-framed plant room will be built above the new office accommodation and two escape stairs, one steel and one concrete, will provide access and escape to the auditorium boxes and foyer areas.

Galleys for Air India

C.F. TAYLOR (METALWORKERS), a member of EIS Group, has won an order worth about £3.5m from Air India for the design and manufacture of aircraft galleys. The contract is to supply galleys for two new B747-300 aircraft and five existing B747-200's undergoing a retrofit programme, with deliveries in 1988/1989.

Air India is considering the retrofit of a further five B747-200 aircraft and/or purchase of additional B747-300's and C.F. Taylor therefore expects further business from this source over the next two years.

Steel profiles to make Iraqi windows

DSRM INTERNATIONAL, part of the DSRM Group, which is 50 per cent owned by the Norcross Group and the British Steel Corporation, has gained a further contract worth US \$2.5m (£1.5m) for hot rolled special profiles to be used in the fabrication of steel windows. This contract ensures continuity of supply to Iraq through to the end of March 1988. The profiles will be produced at Darlington & Smpson Rolling Mills in Darlington.

INBOCON MANAGEMENT CONSULTANTS has been awarded a £1m plus contract by FKI Electricals to provide over 50 consultants and temporary executives to assist with the restructuring and rationalisation programme following the FKI Babcock merger. The Inbocon team will be deployed throughout the UK, North America and several European countries.

New orders worth \$50,000 from Clydesdale Bank, Citicorp Investment Bank, Access, and Whitbread & Co have been placed for the VALENT electronic key telephone with TE FINANCIAL COMMUNICATIONS, a subsidiary EFC of Telephone Rentals.

Rush & Tompkins busy in the Caribbean

RUSH & TOMPKINS has over \$5m (£4.5m) worth of work in progress in the Caribbean. About \$5m (£2.75m) worth of construction work is being undertaken for the Nassau-based Sandport Development Corporation. The company has a contract for construction of a division to the main dual carriageway road, including a two-span bridge in reinforced concrete and other infrastructure works for a marina development. The company is also building six other houses for the corporation which will be completed by February.

Among several current contracts for the Government of the Bahamas there are three projects at Nassau International Airport for the Ministry of Transport which are nearing completion. The first of these is a contract to construct crash rescue garage facilities for emergency use to the main runway at the airport which is to be completed by February.

end of February. The building is a steel-framed and metal-clad structure. A nine-month contract to construct a single-storey police station and VIP lounge at the airport is due for completion this month. A contract to upgrade the security fencing at the airport will also be completed.

A contract for the administration building for Nicholls Town, Andros, which will accommodate courts, police, fire, ambulance and local government facilities, was awarded by the Ministry of Works and is due for completion next June. The 6,000 sq ft two-storey building is in the Colonial style. Also in Nicholls Town, the company is building, for the National Insurance Board, a single-storey clinic which will accommodate dental, medical and maternity facilities for the population of new Andros. This is due for completion at the end of May.

Data from sensing satellites

The data recording division of **TEORNI DATATEC** reports that the Earthnet programme based at ESRI, the European Space Research Institute in Frascati, Italy, has placed an order worth \$250,000 for two high-density digital data recorders. The recorders will be used at the Earthnet facilities of Maspalomas and Frankfurt to handle data received from a number of

remote sensing satellites. The Maspalomas station in the Canary Islands will use the equipment to record data from the Earth Observation Satellites such as USA's LANDSAT and Japan's MOS-1 (Marine Observation Satellite), and the French SPOT.

Later, data from the European Space Agency's own ERS-1 mission will be recorded.

Saudi power station burners

RAMWORTHY ENGINEERING, part of the Powell Duffryn Group, is supplying combustion equipment to the Saudi Arabian State Power Company in a deal worth over £1m. The contract is to refurbish the 1800 MW Ghazal power station on the Gulf coast and supply 96 burners.

Although the Saudis have

abundant oil reserves, they are anxious to curb any unnecessary waste, so steam is injected into each burner atomising the oil just prior to ignition. This promotes an efficient combustion rate lowering the fuel consumption of each boiler to four and a half tons per hour.

Pumps for the oil industry

WEIR PUMPS has beaten international competition to win a contract, worth around £1.5m, from Mitsubishi Heavy Industries of Tokyo to supply seven water injection pumps for the

Middle East oil industry. The 5000 barrel casing pumps are each capable of pumping 500 cu metres per hour at 180 kg per sq cm. Contract delivery is September next year.

Grouting Scottish coal mines

NOEWEST HOLST SOIL ENGINEERING has won nearly £1m worth of work in Scotland. Most of it, totalling \$850,000, consists of grouting three old coal workings in the Glasgow area.

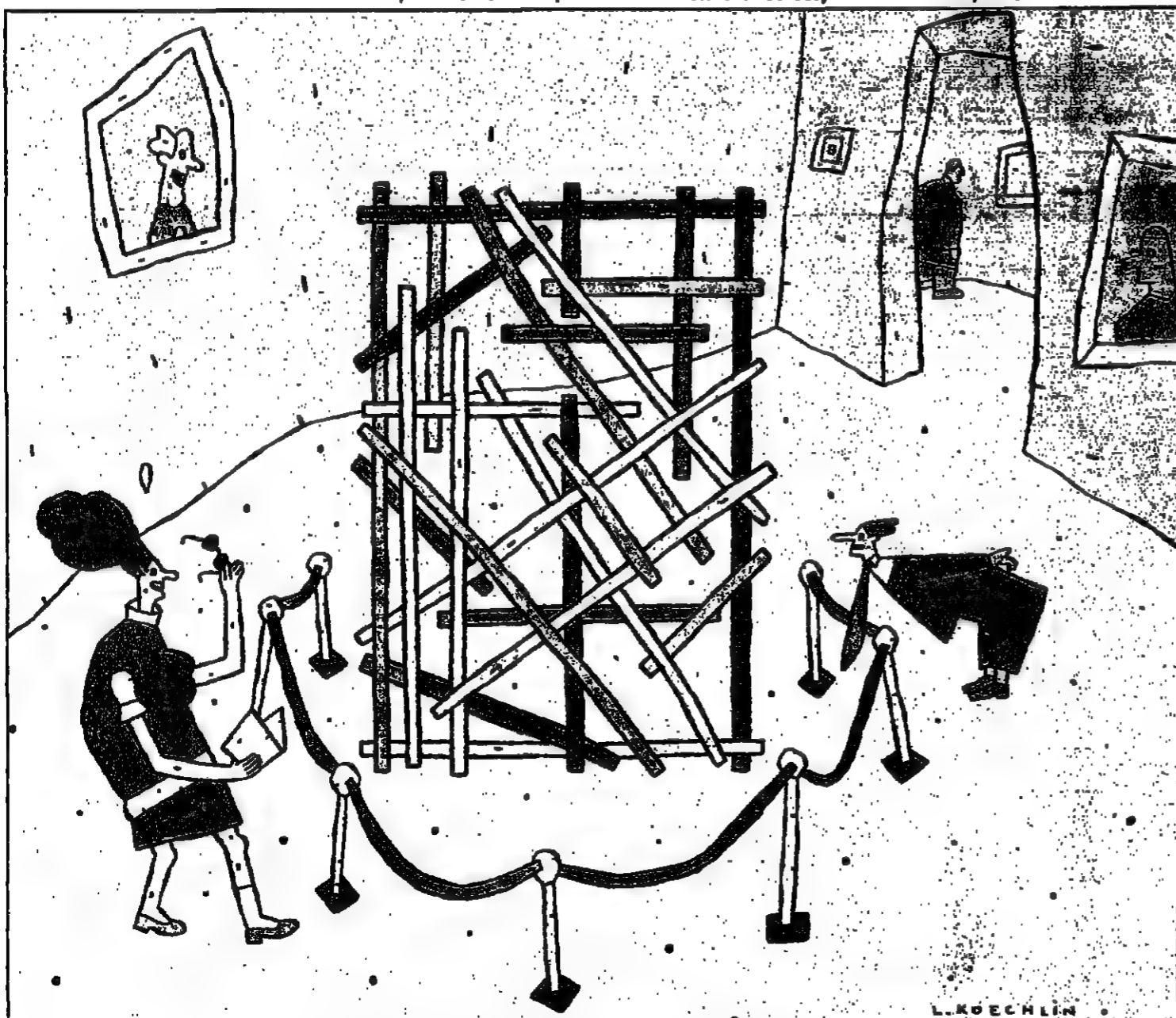
The largest of these — worth \$320,000 — involves stabilising three coal seams by drilling 44,000 metres and injecting 10,000 tonnes of PFA, sand and cement.

Another coal seam grouting contract involves working beneath a tenement block. Because of the lack of access, most of the 19,000 metres of drilling will be angled from outside the perimeter of the building. In this case, reducing noise and dust to a minimum are important factors. One of the company's own mixers will be used for batching the 9,000 tonnes of grout needed. In total, the three contracts will require 73,000 metres of drilling and 20,000 tonnes of PFA, sand and cement.

Making up the total value of the orders is a site investigation of the new A76 Kirkcaldy and Sanquhar by-pass.

Under a \$250,000 plus contract, Harkwell Adhesive Labels has installed the first Digilabel system from HARRIS GRAPHICS, Slough. The system was developed by DISC of Belgium, and in this installation will be used primarily for the design and production of on-the-reel self-adhesive labels for the food, textile and cosmetics markets.

You are standing facing the much-praised work of art on display which is made up of 30m diameter rods welded one on top of another. What point of the structure is nearest you in the vertical plane?



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International Appointments

Nigeria Financial Manager

Salary Package c£30,000

Our client is a subsidiary of a multinational group involved in Engineering Supply and Floating Production Systems for the oil industry. They are seeking a commercially aware accountant to take charge of all accounting and administrative functions based in Lagos. Reporting to the local base manager you will be experienced in cash control, cash planning, contract administration, computerised accounts and negotiations at a senior level.

The successful candidate will preferably be, although not essentially, a qualified accountant aged 30-45 and have previous experience working in developing countries.

Along with an excellent salary the working schedule is 6 weeks in Nigeria followed by 4 weeks leave. Food and accommodation are provided plus the use of a company car and this vacancy is a permanent position on a single status basis.

For further information and local interviews, contact LINDSAY WEIR on 0224 648062; CHARLES COTTON on 01 353 1244 (0428 51142 Evenings) or write enclosing brief career details to one of the ASA International addresses below:
498 UNION STREET, ABERDEEN, AB1 1TS or
LUDGATE HOUSE, 107-111 FLEET STREET, LONDON EC4A 3AB

ASA International



EARLIER THIS year Chloride, the UK battery group, dropped its auditors of more than 20 years' standing, Coopers & Lybrand, and appointed Arthur Andersen in their place. It reckons to have saved £100,000 of its annual £400,000 audit fee and got a better service.

"I believe that as a modern finance director, you should at least go through the motions of reviewing your audit arrangements regularly," says Peter Regnier, Chloride finance director.

Atitudes like this have made auditing less the secure business it was. They are helping to bring down audit costs and keep auditors on their toes. It is a buyers' market, says Regnier.

Audit switching is still rare. Between 3 and 5 per cent of companies change their auditors each year, according to Brian Jenkins, head of audit at Coopers. Most of the changes are prompted by takeovers, with acquiring companies appointing their existing auditors to their new subsidiaries. But an increasing number come out of the blue.

Though this initiative by directors is a healthy sign of a more competitive audit market, it hints at closer ties between directors and auditors which are causing concern in some quarters. They feel that such ties, reinforced by the greater range of services offered by auditors, undermine the objectivity of shareholders who, in theory at least, have final say on the appointment of auditors.

The competition between auditors surfaced publicly this month with the launch by Coopers & Lybrand, the country's second largest firm, of a £1m advertising campaign in newspapers and selected magazines to support its auditing effort. It is the first large campaign to sell auditing and signals the start of a battle for supremacy in the audit market.

Auditing, though generally said to be a mature market, is still an attractive one for accountants. It is thought to be worth more than £1bn a year and is growing faster than the rate of inflation. The top eight firms account for more than half of all audit business.

Jeffery Bowman, senior partner of Price Waterhouse, reckons that his firm's audit fees rise each year by about 4 per cent more than the underlying growth in the economy.

It is less profitable than it was. Rapidly climbing salary bills and the costs of new technology on the one hand, and pressure on fees from more sophisticated clients on the other, have eaten into margins.

Like other industries under pressure, though, auditors have found new efficiencies in their business, for example, changing approaches to audit work and the use of computers which reduces man-hours spent on



Auditors are plunged into a more competitive market

BY RICHARD WATERS

auditing, together with better management of staff time, one large firm, Arthur Andersen, reckons that its productivity has increased by 5 per cent a year for the past few years.

Competing for the declining profits is the higher-value work audit departments bring in for the rest of the firm. According to a recent Price Waterhouse survey, virtually all large companies go to their auditors for tax advice, for instance.

The result has been tougher competition for audit appointments. Although price plays an important part, Chloride's experience is typical: all four firms which submitted a tender, including incumbents Coopers, quoted fees of around a quarter less than the existing fee.

Like other companies, Chloride's audit fee was first set in the 1960s and has been "jacked up" in line with inflation ever since, says Regnier. Introducing competition to the selection process breaks this cycle.

More important in the selection process is the service being offered, and it is here that accountancy firms face their biggest challenge: setting themselves apart from the competition.

Andersen succeeded in Chloride's case. It put forward a team with experience of a narrow range of clients but a wide range of skills, says Regnier. Most important among these skills was corporate finance; with plans to list a subsidiary overseas and long-term ambitions to grow by acquisition, Chloride wanted an audit firm which could complement the services of its investment bankers.

The other firms which pitched for the Chloride job offered the same range of skills, but not on the audit team. The company would have been passed between different departments for the same services, says Regnier.

Coopers did not lose out entirely. Chloride plans to use its previous auditors for advice on information technology - ironically, a skill that is widely recognised as Andersen's main strength.

In pursuit of differentiation, accountants are now devising new audit "products". Coopers' advertising effort is being used to promote an audit package which, it claims, puts it ahead of the competition.

Costing around £1m to develop, the new audit approach concentrates on control and management information systems, rather than a client's books of account, says Jenkins.

through to USM aspirants, and at least as many more trying to make their names as "alternatives to the Big Eight".

Chloride invited four of the top eight firms to pitch for its audit. Personal contact and word of mouth got the three apart from Coopers onto the list, says finance director Regnier. Coopers' advertising effort is designed to court at this stage, making sure that it at least gets a chance to pitch for the business.

The final selection of an auditor is seldom done on price alone - although price plays an important part. Chloride's experience is typical: all four firms which submitted a tender, including incumbents Coopers, quoted fees of around a quarter less than the existing fee.

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approach. It estimates that its Audit Guidance Series has cost \$10m to develop over the past four years. The latest product of this development process is a totally consistent audit "product" around the world, says Colin Brown, head of audit in the UK.

Firms like PW rely heavily on their international credibility. Brown estimates that the firm relies on multinational or international business broadly defined, for around 40 per cent of its fees.

But making better use of existing staff, and in the process making auditing more useful, requires a cultural sea change in accounting firms. The traditional rigid training of accountants and the sheer size of audit departments (Coopers has 1,600 auditors in Britain) threaten to hold back the process. Firms have a long way to go before they are able to deliver the level of service they are now promising.

Also, the developments now taking place are largely reactive: accountants have been slow to meet the expectations of their clients, and increased competition is only now forcing them to catch up.

This is borne out by Coopers' willingness to take on the implied risks of offering a wider view on a company than simply the traditional audit report. "We believe that public expectation is such that if you had failed to find substantial problems in a company's systems, you would be liable anyway," though that hasn't been put to the test, says Jenkins.

Purists, meanwhile, worry that getting closer to clients will affect the independence of auditors. The more "value" they provide to a company's management, runs this argument, the less protection there is for shareholders and creditors.

Concerns about audit independence were brought into the open last year by the Department of Trade and Industry when it invited views about how it should implement the EC's new company law directive on auditing. Few auditors doubt that these worries have been totally dispelled.

The danger of a price war also makes accountants uneasy. Cut-throat pricing in the past appears to have been confined to a handful of large assignments, though little information has emerged on these. Accountants claim that taking on an audit at below cost threatens the quality of the work, since the staff used will be below standard and firms will be more interested in what else it can sell to the client.

Whatever the basis for these fears, it looks as though audit fees are set to come under greater pressure in the new round of competition. And for companies like Chloride, that is an entirely good development.

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Grant's smaller family affair

Lisa Wood explains how a share buy-in offers the group strategic advantages

AT A TIME of increased takeover activity in the drinks industry, William Grant, the family-owned Scotch whisky distiller, has taken unusual steps to ensure its continuing independence.

William Grant, best known for its Glenfiddich malt whisky brand, is spending £48.5m on buying in some 48 per cent of its own share capital between now and 1992.

Until three years ago such a step would have been illegal. But a change in UK legislation which allowed companies both public and private to buy in their shares, opened up the possibility for private family companies to protect themselves - not only from takeover, but also from the quantitative effect of death duties which could lead to the break-up of family concerns.

Since Grant was founded in 1887, five generations of the family have spawned some 80 shareholders in the distillery.

The buy-in will result in the number of individual shareholders shrinking to 20, they are also agreeing to articles of association which in effect will preclude them selling out to any potential bidder without first offering their shares to other family shareholders.

William Grant is regularly sounded out by other businesses to see whether or not it is for sale and the buy-in of shares can be seen as a pre-emptive move should any of the 50 shareholders be tempted by a lucrative offer.

Those retaining the value of their family holding include a man drummed out of the Foreign Legion and a Harley Street sex therapist.

Defence against possible predators was not the only reason for the buy-in, argues Sandy Grant Gordon, the chairman and chief executive who heads a team which includes several members of the family. For day-to-day guardianship of a family fortune can be more onerous than that imposed upon a chairman of a large public company.

Grant Gordon says: "We are now in a better position to go for innovation and calculated risks because in the main the remaining shareholders are involved in the business. If we take a risk and it goes wrong we are losing our own money."

In developing its core Scotch business it was one of the first to push the marketing of malt whisky and Glenfiddich is now the world's leading brand of malt whisky.

Romantic images of Scotland are one vital component in the marketing of Scotch. Grant Gordon reflects that William Grant has never sought to project itself as a family business. But it is a facet of the business that must be a gift for the marketing man.

In its submission to the Inland Revenue, under Section 53 of the 1986 Companies Act, William Grant said: "It has become apparent that there no longer subsists that broad community of interests among the family which is necessary for the continued existence of a family company and the long-term planning of its business and affairs."

Grant Gordon says the opportunity to make the move was provided by the 1986 Companies Act. An additional factor had arisen as a result of the slow-down in growth of the Scotch whisky industry. "Previously," says Grant Gordon, "every penny was spent on financing more and more stock."

While the company has not gone out aggressively to acquire other businesses it has sought to protect its distribution by acquiring or taking shareholdings in its distributors, a strategy currently being pursued on a much larger scale by its major competitors.

"We have not got everywhere we want," says Grant Gordon, "but we have done a lot."

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"We must involve all South Africans in the creation of new wealth. The nation's future prosperity demands it."

Anglo American Chairman Gavin Relly is proposing to introduce the Anglo American Group Employee Shareholder Scheme. He explains some of his thinking to Ronnie Potter.

RP: "Why are you proposing an Employee Share Scheme now?"

GWHR: "We have been busy for some time devising and implementing ways of enhancing our employees' ability to create wealth in the context of both a fair and a free enterprise economy."

Firstly, our belief that collective bargaining at its best makes wealth-creation a shared responsibility led to our strong support for the extension of trade union rights to black South Africans. We have extensive programmes in place designed to enhance employee skills through education and training. Home ownership schemes play an important role. The Employee Shareholder Scheme is yet another way in which our workers can share in wealth-creation."

RP: "The trade unions and many black organizations have indicated that it is a redistribution of wealth that they seek. Doesn't this scheme evade that challenge?"

GWHR: "The redistribution of earned income is an ongoing fact of life in the South African economy. The white share of earned income has declined from 60% of the total in 1970 to some 45% in 1985. This trend is likely to continue, but quite clearly a prosperous society with decent housing, education and health care for our 35 million citizens will not be achieved through redistribution alone. The real challenge is to expand the size of the economic cake two or three times over the next ten to twenty years. And to do this all South Africans will have to use all the resources they have to create new wealth."

RP: "And how does your Scheme encourage this?"

GWHR: "The Scheme gives employees the opportunity to become investors in the Anglo American and participate in a small way in a free enterprise process which alone can produce the jobs and goods and services and the new wealth which we have to have."

RP: "But in the light of the current stock market crisis around the world, isn't this the worst time to introduce employees to shares?"

GWHR: "The scheme does not aim to turn employees into share-traders but into shareholders. We are offering our people the opportunity to invest in the future growth of the Anglo American. The share price of the Anglo American Corporation, like any other company will of course fluctuate on a week-to-week, month-to-month basis, mirroring

the vicissitudes of both the local and international economy. However the assets of the Anglo American, its economic activities and profitability have shown a stable record of growth over the 70 years of its existence. Therefore the Scheme offers the opportunity to participate in future long-term growth."

RP: "The experience of the privatization programme in Britain was that many employee shareholders immediately sold their shares and took their profits. Are you not concerned that you will have the same experience?"

GWHR: "In our case participating employee shareholders will be required to keep their shares in trust for a minimum period of four years. During this time they will receive dividend income, and hopefully over this period shareholders will also benefit from long-term appreciation in the real value of the share. We hope that many shareholders will choose to keep their shares beyond the four year period."

RP: "Anglo American experienced a costly strike this year. Is this Scheme not an attempt to undermine the power of trade unions?"

GWHR: "Far from it. We continue to view trade unions as a vital part of the industrial structure in determining, through collective bargaining, fair reward. This scheme had its origins long before the strike, research on it began over two years ago. I referred to the Scheme publicly in my Chairman's Statement earlier this year, quite some time before the strike.

The Scheme simply offers the employees an investment opportunity, and in no way does it conflict with the role, rights or responsibilities of trade unions."

RP: "And how broad based is the scheme, how many people will be involved?"

GWHR: "Initially the scheme is being made available to all employees of the Anglo American Corporation who have two or more years' qualifying service. This will involve some 2,800 employees. Participation in the scheme is entirely voluntary, all employees will be offered the same number of shares. I have no idea how many will choose to join.

The Board of the Anglo American Corporation has also invited associated companies to join the scheme. This could involve as many as 250,000 employees. Again, I have no idea who will elect to participate, but I am obviously hopeful that many will join since am convinced that all who do so will benefit greatly."

Anglo American Corporation of South Africa Limited

Incorporated in the Republic of South Africa
Company Registration No.010530906

Notice of general meeting

Notice is hereby given that a general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg, on December 18 1987, at 9h00 for the purpose of considering and, if deemed fit, of passing, with or without modification, the following ordinary and special resolutions, namely:

1. As ordinary resolution No.1
"That The Anglo American Group Employee Shareholder Scheme ("the scheme") tabled at the meeting and initiated by the Chairman for purposes of identification, be and it is hereby approved."

2. As special resolution No.1
"That pursuant to the provisions of Articles 57(a)(i) and 57(c) of the Corporation's articles of association the 49,650,000 redeemable cumulative preference shares 2.5 cents each in the authorised and unissued capital of the Corporation be and they are hereby consolidated into 12,412,500 redeemable cumulative preference shares of 10 cents each and simultaneously converted into 12,412,500 S ordinary shares of 10 cents each, ranking on issue pari passu in all respects with the existing S ordinary shares of 10 cents each in the capital of the Corporation."

3. As ordinary resolution No.2
"That subject to the passing of ordinary resolution No.1 and the passing and registration of special resolution No.1 proposed in terms of the notice convening this meeting and simultaneously with the registration of special resolution No.1, the directors be and they are hereby authorised to make available to the Trustees of the scheme through a nominee company such number of shares for subscription by them as may be required to give effect to the scheme, and they are instructed to direct the Trustees to arrange for the issue or transfer, in accordance with the terms of the scheme, to each person (who may be a director of the Corporation) provided that such person holds salary employment or office in the Corporation such number of S ordinary shares, or ordinary shares as the case may be, being the number of shares to be issued or transferred to each participating employee in respect of each allotment or issue made from time to time in terms of the scheme. The allotment and issue of such number of shares to the nominee of each such person is hereby specifically approved."

4. As ordinary resolution No.3
"That pursuant to the provisions of Section 222 of the Companies Act, 1973 as amended, and subject to the passing of ordinary resolutions Nos.1 and 2 and the passing and registration of special resolution No.1, proposed in terms of the notice convening this meeting, and simultaneously with the registration of special resolution No.1, the directors be and they are hereby authorised to make available to the Trustees of the scheme through a nominee company such number of shares for subscription by them as may be required to give effect to the scheme, and they are instructed to direct the Trustees to arrange for the issue or transfer, in accordance with the terms of the scheme, to each person (who may be a director of the Corporation) provided that such person holds salary employment or office in the Corporation such number of S ordinary shares, or ordinary shares as the case may be, being the number of shares to be issued or transferred to each participating employee in respect of each allotment or issue made from time to time in terms of the scheme. The allotment and issue of such number of shares to the nominee of each such person is hereby specifically approved."

The reason for proposing the special resolution is to have sufficient S ordinary shares in reserve for purposes of the scheme. The effect thereof is to consolidate the existing preference share capital of the Corporation from shares of 2.5 cents each to shares of 10 cents each and simultaneously to convert such preference shares into S ordinary shares of 10 cents each.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation. Forms of proxy to enable members to vote for or against the resolutions or to abstain from voting are available from and must be lodged with the Corporation's share transfer secretaries by not later than 16h00 on Tuesday, December 15 1987. Completion of a form of proxy will not preclude a member from attending the meeting.

By order of the board
C.L. Maltry
Secretary
November 26 1987

Share transfer secretaries:
Consolidated Share Registrars Limited,
First floor, Edura,
40 Commissioner Street Johannesburg 2001
(P.O. Box 61051, Marshalltown 2107)

Registered office:
44 Main Street, Johannesburg 2001
(P.O. Box 61587, Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place, London SW1P 1PL, England

FINANCIAL TIMES

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 Telephone: 01-248 8000

Friday November 27 1987

CAP buck passed

THE European Community's farm ministers are in complete disarray. After several days of negotiations in Brussels this week, they finally abandoned their attempt to agree reforms which would curb the spiralling spending on the Community's common agricultural policy.

It was a dismal showing. The ministers have for months now been considering proposals from the European Commission detailing ways of limiting production, and so spending - on major commodities like cereals and oil seed rape. The proposals, called budget stabilisers, would not bring a rapid return to free market practices in the whole farm sector. Neither would they set cash limits to farm spending as a whole. But they would begin to reduce the Ecu 27bn (£19bn) amounting to two thirds of the whole EC budget, which now goes on the CAP. At the same time, they would reduce the huge farm surpluses.

The farm ministers had before them a deadline for control of farm spending in the reform of the wider issue of the reform of the Community's finances which is to be discussed by EC heads of government in Copenhagen next Thursday. Yet for months they merely skimmed with the stabiliser proposals, and now they have handed over responsibility for producing a farm reform package to the EC foreign ministers.

Why did the agriculture ministers fail and, as important, why the foreign ministers be any more likely to succeed?

Deep divisions

The substantive reason for failure was the massive deep divisions over the stabiliser proposals. This in turn reflects important and sometimes fundamental differences towards CAP reform as a whole.

First, all the farm ministers (under pressure from their treasuries) agree that spending must be curbed. The question is, by how much. The cost of the CAP has more than doubled since 1980, when it was some £10bn. But today the whole farm budget is still less than half what Britain, for example, spends on social security. Clearly the EC could afford a larger farm budget, which is what some farm ministers might like.

Britain, the toughest pro-

ponent of reform, would like to place cash limits on farm spending, rightly in our view. Judging that, politically unacceptable within the EC, however, it has warmly espoused the Commission's stabiliser measures as the next best thing.

The German Government profoundly disagrees. With 2m people working in agriculture and 700,000 small farmers dependent on the EC's high prices, Bonn has set its face firmly against changes which would mean lower incomes for farmers.

Britain and Germany do agree that other measures, such as aiding farmers to take land out of production, could help farmers adjust. But this is where they both part company with France, which has played a particularly ambiguous role, both appearing to favour a more-market oriented approach and at the same time blocking the Commission's proposals.

So what now? The farm ministers, still closely representing entrenched interests, have shown this week that they are neither able nor willing to take responsibility for farm reform. But all may not be lost.

Vital reform

There may be risks in handing over complex and detailed negotiations on farm commodities to foreign or finance ministers or, beyond them, to the EC heads of government. It is not a sensible use of resources to have them bogged down for hours over milk prices.

Yet there may be no alternative. The farm ministers' failure demonstrates that only the most senior politicians with a broader remit and a wider vision are likely to be able to reform the CAP monster. Such reform is vital not only on financial but also on social and economic grounds.

The differences of substance of course remain. And such is the tortured way of negotiation within the EC that it will be some time before the EC agrees to agree a farm reform package in Copenhagen next week. Yet it certainly looks now as if the EC might be able to agree a package of ultimately making the CAP into a more rational, coherent and controllable system than do the farm ministers.

The price of good health

THE Thatcher Government seems unable to strike quite the right note in its policies on the health service. Wednesday's white paper and the accompanying bill allowing NHS hospitals to sell services at a profit had their strong points. The suggestion that GPs' pay should be linked to their performance, for instance, will attract broad support. Nonetheless, they seem unlikely to convince people that ministers are really getting to grips with the nation's pressing health problems. They will not do much to reassure those who doubt the depth of the Government's commitment to the principles underlying the NHS.

Mr John Moore, the Social Services Secretary, has publicly stated his support for a tax-financed service that provides care "free at the point of delivery" but what does this pledge amount to when people are to be charged for visiting the dentist and optician, even when treatment is not necessary?

When the rising burden of medical prescription charges is also taken into account, it surely becomes unrealistic to talk of free health care and the expectations to pay for dental visits, how long before a small charge is introduced for visits to a doctor's surgery? It is difficult to see the logic for charging for one but not the other.

Common cause

A welcome feature of the white paper is its advocacy of preventative health care. Studies show that it is cheaper to keep people healthy than to treat them when they get ill. A shift in emphasis towards the prevention of disease is clearly overdue when a quarter of young people are overweight, 30 per cent of those over 16 have no natural teeth, and coronary heart disease causes 180,000 deaths a year.

Yet it is unclear how much the white paper will achieve in the way of prevention. The plan to give GPs a financial incentive to provide routine health checks for new patients is welcome so far as it goes but does it go far enough? It might well prove cost-effective to provide regular NHS check-ups on a much broader basis. More important, the plan to charge for dental visits and eye tests seems to run precisely counter to the concept of preventative health care. A reduced demand for eye tests, for example, will mean that fewer cases

of glaucoma are diagnosed early enough for effective treatment. Untreated glaucoma is a common cause of blindness. Fewer dental visits will likewise mean an even more rapid loss of natural teeth.

The plan to make the services of general practitioners more responsive to patients' needs is welcome. If workable ways of linking pay to performance can be devised, they should be introduced. Measuring the performance of a GP, however, is much more complex than measuring the performance of a supermarket manager, and the white paper shows some signs of brushing over the difficulties. That said, there are obviously some steps that can be taken such as giving incentives for GPs to meet targets for vaccination, immunisation and screening. Giving consumers more information about the range of services offered by different GPs is another.

Poor reception

Purists who believe that state medicine and markets must never interact will object to the legislation allowing NHS hospitals to sell services at a profit. In practice, the move is a case of shutting the door after the horse has bolted: health authorities are already raising cash from a diverse range of services - from breast cancer screening to shopping malls. They are doing so in order to ease chronic financial resource constraints. Wednesday's bill, however, will only ease these constraints at the margin: hospitals are expected to raise about £70m a year from commercial activities by 1990; the total health budget is around £22bn.

When press reports are focussing on the distress apparently caused by staff and cash shortages at NHS hospitals, it is not surprising that a white paper proposing charges for eye tests gets a poor reception. It seems largely irrelevant to the main health issue of the day, which is the appropriate level of overall funding for the NHS. Opinion polls suggest that many want a higher quality service even if this means forgoing tax cuts. With the economy strong and revenue booming, the Government is likely to come under increasing pressure to find ways of respecting these revealed preferences.

PLESSEY's takeover of Ferranti's semiconductor operations aims to sort out a key weakness of the British chip industry - its fragmentation. Nothing illustrated this more neatly than a meeting last year held by the European Commission to discuss the future of Europe's semiconductor business.

Sitting round the table as representatives of their country's industry were one West German, one Italian, two Dutchmen, two Frenchmen and six people from the UK. Britain's need to field six times as many people as West Germany said nothing about the size or health of the two countries' respective industries. What it demonstrated was the small size of British semiconductor companies by European standards.

Plessey, the largest UK chip company, scraped into sixth place in the European league, before yesterday's acquisition, with annual sales in the sector last year of £112m. The European league is itself several divisions behind that in which the Americans and Japanese play. Of Europe's indigenous companies, only Philips of the Netherlands notches up world-ranking chip sales of more than \$1bn a year.

The feeling has been growing within the British industry that it has to sort itself out if it wants to stay in the semiconductor game, a race which demands ever-increasing amounts of capital for research, manufacturing and marketing.

Mr Brian Oakley, the first head of the Government-backed Alvey

While the merged operation is small by world standards, it is a step in the right direction

programme of advanced information research, believes that one of the programme's few mistakes was to pump research money into Britain's semiconductor industry in its present fragmented state. "The Government could say that there is no more Government money going into the industry...until its structure makes competitive sense," Mr Oakley said shortly before yesterday's announcement.

Ferranti is often cited as a warning to the British industry. The company lost a world lead it established in the 1970s in gate arrays - chips which are partly customised for particular individual customers. Better resourced companies, such as Motorola and LSI Logic of the US and Fujitsu and NEC of Japan, moved into the market. While Ferranti stuck to its traditional technology, suitable for high power applications, the newcomers introduced CMOS technology, used for low power applications, or a mixture of the two.

Many believe that much of the rest of the British-owned industry remains vulnerable to the giants because of a feature which should have been taken care of long ago: the lack of both a potential medium-term weakness - and its present strength.

From one angle at least, that of profitability, the UK has not been doing too badly by comparison with foreign chip manufacturers. Most avoided the financial haemorrhage which devastated the giants during the semiconductor slump of 1985-86.

That was because British companies have almost no presence in mass market standard products, which are most prone to cut-throat price cutting when demand dries up. The General Electric Company dropped any thoughts of that back in the 1970s: GEC's chip output is now mainly of specialised devices, many for in-house use. STC abandoned plans to use its new plant in Kent for standard memory devices when it ran into financial problems in 1985-86.

British companies have specialised in niche markets: chips, like the transputer developed by Inmos, Thorn EMI's semiconductor subsidiary, which use highly innovative designs to solve particular problems for users such as computer companies. "The British strength in this part of the market is quite remarkable," comments a senior official in West Germany's technology ministry.

Plessey and Ferranti have both concentrated on devices, like gate arrays, which are at least partly customised for particular users, known as application specific integrated circuits (ASICs). Produced in lower volumes than standard chips, they have more value added, better margins and are expected to take an increasingly large share of semiconductor sales.

But there are fears that the big Japanese and American groups will use their marketing, financial and technology muscles to turn ASICs into commodity markets. Mr Ian Barron, Inmos's chief strategic officer, argues: "As the level of integration increases, most ASICs will integrate microprocessors and memory. Success will depend, therefore, on access to microprocessor and memory technology."

This suggests the British industry has a relatively short time to make good. "The British position is fine for the short term, but not for the longer term," warns Mr Ivor Cohen, until recently head of Mullard, Philips's UK electronic components subsidiary.

Indeed, many foreign chip companies already larger than the British have announced mergers or alliances to spread their risk. The SCS of Italy has merged with Thomson of France, Philips is collaborating with Siemens of West Germany in their \$1bn Megaproject to develop the next generation of memory chips, while in the US, National Semiconductor has taken over Fairchild, and Texas Instruments and Intel have signed a five year joint venture aimed at making both ASIC leaders.

The merged Plessey-Ferranti operation claims to be in the world's top ten in both ASICs and gate arrays, but it remains a mixture of the two. British and Japanese giants. Nevertheless, it is "a step in the right direction" in signalling to the industry worldwide that the British are preparing to take both the potential medium-term weakness - and its present strength.

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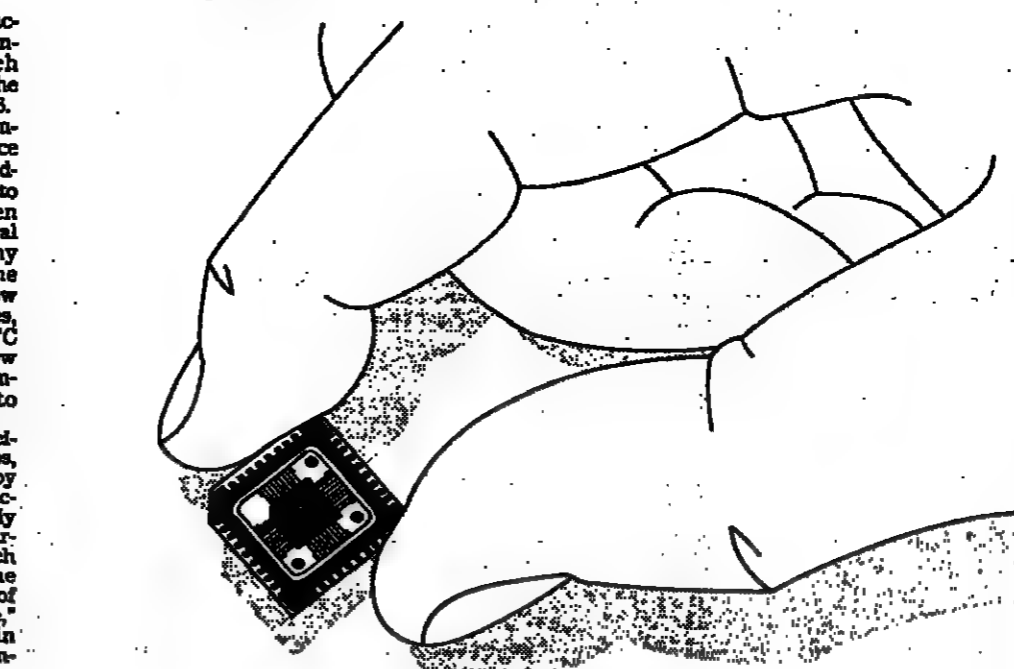
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THE PLESSEY/FERRANTI DEAL

When bigger is better

By David Thomas



UK companies 1986 \$m			European companies 1986 \$m		
Plessey	112		Philips	1255	
Ferranti	96		Siemens	442	
Inmos	80		Thomson	436	
GEC	38		STC	370	
STC	18		Telefunken	219	
			Plessey	112	

also be more attractive to non-UK companies wanting to forge technology or marketing alliances. Dr John Sam, Plessey's director of research, speaking before yesterday's announcement, said: "The Europeans tend to be dismissive of approaches from UK firms because we're so damn small."

Moreover, the new company makes good sense on both technological and marketing grounds, according to Mr Beveridge at Dataquest. Plessey's CMOS technology will complement Ferranti's bipolar gate array technology, while the two companies' customer bases are able to do a complete ASIC: deal with the new company, Mr Doug Dunn, head of Plessey's semiconductor operations said yesterday.

Plessey says there is relatively little duplication in their markets. Ferranti is strong in computers and some industrial applications, Plessey is well represented in telecommunications and some consumer applications like mobile communications, while both have considerable military business. Plessey will also be able to build on the greater US presence of Ferranti, which in 1977 acquired Intergraph, a small American semiconductor house.

Yet, even if the new company

justifies these early hopes, it will also certainly not be the last word in the evolution of the British industry. Further scans in the wind include:

- Thom EMI, intent on concentrating on a small number of core businesses, is trying to sell a majority stake in Inmos. Inmos, most observers agree, has three first-rate products: a fast static memory chip, which provides most of its present sales, its transputer and a colour graphic chip, which has been bought by IBM among others. But with sales of only \$60m last year, Inmos has been struggling to raise money.

With Plessey saying yesterday it was uninterested in Inmos, the industry and the Government may be faced with the prospect of Inmos's third biggest chip company and the main legacy of the last Labour Government's attempt to build up Britain's chip industry, passing into foreign control.

Whitehall is pondering a follow-up to the Alvey programme, which is now winding down. The future of that part of the programme dealing with advanced semiconductor, one of the key technologies chosen by Alvey for support, has already sparked a public disagreement which highlights a dilemma at the heart of the British industry.

Underlying the debate about the future role of Government in the industry are two questions

which are still unresolved despite the thousands of brain years devoted to them. Does it matter whether Britain has much of a semiconductor industry?

Yes, say the industry's enthusiasts, not just because it is a high growth area, but also because Britain's chip users, such as computer, telecoms, defence and consumer electronics industries, are more likely to stay alive if they are closely in touch with latest developments in key components.

Sir John Clark, Plessey chairman, backed this technology push argument yesterday in ringing tones: "It is important that Britain retains a national strategic independence in this important technology which lies at the heart of all electronic products and systems which increasingly dominate our lives and our security."

Mr Mike Watson, director of technical strategy at ICL, Britain's biggest computer company which depends for its crucial components on Fujitsu, says ICL would like to buy many more general purpose semiconductor chips in the UK. This is partly because it would make coping with currency fluctuations easier, but also because ICL could be more certain of hearing first about the latest technical developments from its suppliers.

No, say the sceptics, because the technology-push argument has got the wrong end of the stick. Britain does not have much of a semiconductor industry because it does not have much of an electronics industry, not vice versa. Japanese semiconductor companies flourish because of the country's consumer electronics dominance.

Question two is whether the UK Government should back the British industry with public money? Sceptics ask why this area should be singled out as a special case, especially since most British companies have been so chary about putting their money into it.

In response, the industry argues that foreign governments give their companies huge subsidies, often through research grants or public sector orders. While these arguments rage, inward investment, openly supported by the British government, is transforming the face of the British-based industry. According to Dataquest, more semiconductor companies are producing in Britain than ever before. Some of these are producing many standard mass market chips, such as the 8086 microprocessor. Others, such as NEC of Japan and Motorola of the US, have announced plans to make the next generation of memory devices in Scotland.

Many of the foreign concerns in Britain, like Motorola, NEC, Texas Instruments and National Semiconductor, are almost certain to be among the world leaders well into the next decade. For British-owned companies, by contrast, the future is a lot less certain, even though yesterday's announcement has put one piece of the jigsaw in place. According to Dr Sam at Plessey: "The next year or the next couple of years could be make or break."

Drawing money no crime

The artist triumphed over the banker at London's Old Bailey yesterday when it took just 10 minutes for a jury to decide that James Boggs's drawings of English banknotes were works of art and not illegal replicas.

Boggs, 32, an American now living in Hampshire, has become well-known for his art in Europe. I wrote last year of his experiences in Beale where the Swiss who appreciate a fine drawn banknote - not only bought his paintings but also took them in payment for accommodation, meals, drinks, and taxis.

In Milan, he found that his drawings of lira notes were less acceptable than the real thing. But it was not until he started drawing English banknotes that he had any trouble with the monetary authorities.

The Bank of England refused him permission to practise his art, and detectives seized four of his works on exhibition - a £10, a £5, and two £1. Then he was arrested and charged under the 1981 Forgery and Counterfeiting Act, though the Bank made it clear that it was not alleging either forgery or counterfeiting, but just reproduction without permission.

The jury yesterday accepted barrister, Geoffrey Robertson's argument that Boggs's drawings were as different as "chalk and cheese" from real currency. "If you look at the Mona Lisa you do not say that is a reproduction of a woman,"

Boggs's solicitor, Mark Stephens, accepted five of the artist's drawings in payment for his legal costs.

The costs of the prosecution will be paid out of public funds. And Boggs, who drew a £50 note while he was in the dock, left saying: "I will be spending that before Christmas."

Food prices

The Good Food Guide, published this week by the Consumers' Association, praises the food at London's Connaught hotel as "the kind of grand hotel gastro-

Men and Matters

only which sustained British catering for the last 150 years. But what caught the eye of its proprietor, The Savoy Group, was the Guide's claim that its other hotels in London - the Savoy, Claridge's and the Berkeley - had shared in another activity at the top end of the restaurant business in 1987: "a massive hoick in prices."

Editor Drew Smith suggested that the cost of eating at the Savoy was up by 20 per cent last year, while the cost at Claridge's and the Berkeley was up by 30 per cent.

The Savoy group says that "none of these statements is accurate" and is considering a legal action for damages. It adds that the Savoy's prices have risen by 4.2 per cent, while food at Claridge's has risen by 8.5 per cent. The only change at the Berkeley, it says, is an increase from £9.50 to £10.50 in the fixed price menu in the Buttery.

Second house

Is Enoch Powell poised to introduce another twist in the tortuous path of logic he has pursued in his remarkable political career by agreeing to accept a life peerage in the New Year honours?

He has already admitted that while not regretting the dozen years spent as Ulster Unionist MP for Down South, it might have been more consistent with his case that Britain ceased to have a sovereign Parliament on the day the Treaty of Rome was signed and becoming a member of the European Community, if he had ended his association with Westminster when he did not seek re-election as the Conservative Member for Wolverhampton SW in February 1974.

Powell opposed the introduction of life peerages, and with Mrs Thatcher, showing little inclination to recommend it for elevation to the hereditary ranks, it had been assumed that

City society

The Fabian Society, the thoughtful arm of the British Labour movement, is trying to establish a new political discussion group in the City of London. An advertisement in the New Statesman has already stimulated some interest in the Square Mile where the Fabians' general secretary, John Willman, used to work for accountants Peat, Marwick, Mitchell.

Willman says that the society has "a lot of supporters" in the City but that it is a long time since it had a formal presence there in the shape of the XYZ Club. Back in 1952, he recalls, a certain C.W. McMahon (now translated into Sir Kit of the Midland Bank) wrote a pamphlet on British purchase tax for the society.

This is an effort to rekindle that sort of relationship, to stimulate the flow of ideas, Willman says.

Live wire

John Derrick, joint publisher of the consumer magazine "What To Buy For Business", has emerged as a member of Cedric Parkinson's team which is considering how to privatise the electricity industry. When Parkinson opened the latest Centre for Policy Studies privatisation conference in Westminster yesterday, he introduced Derrick as "my special adviser".

After opening the proceedings, Parkinson said Derrick would

report the rest of them to him and left for a Cabinet meeting. Derrick contested the hardline Labour case of Rother Valley in the 1983 general election and is understood to be still on the Conservative party's list of candidates. During the last election, he worked in Mrs Thatcher's department inside Conservative Central Office.

The 30-year-old bachelor, who lives in Battersea, began his business career at university in the late 1970s when, with Philip Oppenheim (later MP for Amber Valley in Derbyshire) he published a guide to London for Arab visitors. After going their own ways, Derrick worked briefly at the merchant bank Morgan Grenfell - the duo teamed up again to launch "What To Buy For Business", which claims a UK subscription list of 12,000 and another 6,000 in the US.

Too high

The 13-nation European Space Agency won a supreme battle three weeks ago when it gained approval for a series of ambitious, manned space projects which will cost European governments \$58n by the end of the century.

The upward thrust of the Paris-based agency has, however, been disturbed by the sudden resignation of Goddard Nowak, the organisation's head of public affairs.

Nowak, who was brought into the agency earlier this year to sharpen up its image, will leave today after a disagreement with Professor Reimar Lüst, ESA's director general.

It is thought that Nowak, an experienced public relations man who had worked for 10 years in journalism, including a spell at the BBC, wanted to raise the organisation's profile rather than the more conservative Lüst wished.

Too many fails

Notice in yesterday's Sporting Life: Scratchings: All engagements (dead): Financial Wizard.

Observer

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NOTICE TO HOLDERS OF 17,485,000 UNITS OF UNSECURED VARIABLE RATE SUBORDINATED LOAN STOCK ("the loan stock")

Payment of Interest No. 2 and Closing of Register of Loan Stock Holders

In terms of the First Supplemental Loan Stock Trust Deed governing the loan stock, the interest payable to holders of loan stock for each half-year ending 31 December is determined by the following formula:

$$(E + F) \times \frac{1}{10} = C$$

where C = the interest payable on each unit of variable rate loan stock in cents

E = the final dividend in cents per share declared on the ordinary shares of the Company in respect of the immediately preceding financial year ended 30 June;

F = the interim dividend in cents per share declared on the ordinary shares of the Company in respect of the half-year ending on the 31 December in question;

save that if (E + F) is less than 500 cents, (E + F) shall be deemed to be 500 cents.

A final ordinary dividend of 300 cents per share was declared for the year ended 30 June 1987.

Attention is drawn to the announcement by the Company, published today, of the declaration of an interim ordinary dividend of 220 cents per share for the half-year ending 31 December 1987.

Notice is accordingly hereby given that an interest payment of 30.5 cents per unit of loan stock has been declared payable to loan stock holders registered at the close of business on 8 January 1988.

Warrants in payment of interest for the period 1 July 1987 to 31 December 1987 will be drawn in South African currency and will be issued on or about 25 January 1988 for payment on 29 January 1988. In the case of non-resident holders, tax of 10 per cent will be deducted. The register of loan stock holders will be closed from 9 to 15 January 1988, both days inclusive.

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 E.G.D. Gordon
 Secretary

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 Anglo-Transvaal
 Trustees Limited
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 26 November 1987

Registered Office
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 2001 Johannesburg

MARGARET THATCHER believes that she may be little more than half way through her term as British Prime Minister, if that.

Asked in her *Financial Times* interview (November 23) whether she would still be Prime Minister in 1993, she replied: "Well, one would like to be, but it does not wholly depend on me."

She was not asked whether she would still like to be Prime Minister in 1997, by which time, presumably, two more British general elections will be out of the way. Yet she did suggest that she was already thinking about celebrations for the second millennium.

Such self-confidence - even hubris - is now largely taken for granted. Mrs Thatcher became Prime Minister in 1979 and quickly ran into difficulties. If she had stated in 1981 that she would still be in power in 1986, not everyone, including a lot of Conservatives, would have taken her seriously. Now that she has a long term behind her, disbelief has been suspended.

Of course, there could be accidents, cock-ups, major changes of fortune. There are many potential pitfalls. The Government did not look too deft in the way that it handled its proposals on health this week - it should be remembered that the last general election campaign that

POLITICS TODAY: Malcolm Rutherford

No time to be stand-offish

The National Health Service is one of the Conservatives' vulnerable points. There will be problems with the Education Bill because many Tories, especially outside London, think the Government is going too far in allowing state schools to opt out of the local authority system, and with the community charge, or poll tax, which we know from a written parliamentary answer could adversely affect 3m households.

Inflation may still turn out to be one of the biggest problems. Both the Prime Minister and Chancellor Nigel Lawson admit to being puzzled that it obstinately refuses to fall below an annual rate of between 3 and 6 per cent.

Not least, there is the boredom factor: not just in the country and the media, but within the Conservative Party itself. It is all too easy to imagine the Tories having one of their customary fits of jitters about whether they want to go through another general election with Mrs Thatcher at their head.

Yet the Prime Minister does seem to have the next few years pretty well mapped out.

"The period between elections when you are in government," she told the *Financial Times*, "is too small." That is why, she said, "we have to put the Housing Bill, the Education Bill and the Local Authority Finance Bill in the first session; you have the time lag of getting them through." The next year the legislation begins to take effect and, in the third year, to show results. By then, you have started to think about the next general election.

Thus the chances that Mrs Thatcher could still be Prime Minister in five or six years' time should not be rated too lowly. It is possible that British politics will become like those of the Japanese: not a one-party state but a one-party government, though in Japan there are factions within the ruling party that lead to the premiership changing hands.

If the thesis of Conservative dominance going on and on is plausible, certain adjustments will have to be made in British politics. For one thing, does the British Labour Party want to become like the Japanese socialists: always there, but unlikely to win power? Are the Liberals and

Social Democrats, or whatever becomes of the Alliance, going to be more than fringe groups? A more immediate question, however, is about Mrs Thatcher's control of the Government and especially her growing interest in foreign affairs. In her *FT* interview there was a tendency for her to sound like earlier British Prime Ministers: like the Harold Wilson of the 1960s talking about Britain still being a global power, and like Eden and Churchill in a somewhat stand-offish attitude towards continental Europe.

It should be clear, even to casual students of contemporary events, that this is one of those periods when the international landscape is changing. Yet the debate about this in Britain is slight. There is certainly little to be found in the House of Commons.

Mrs Thatcher, to her credit, wants to reform the European common agricultural policy once and for all. She has also been said for her proposals to eliminate existing farm subsidies by national means and to adopt a system of stabilisers that would

prevent them recurring. But is this the best way of approaching the rest of the Community? To put it sharply: Britain has misunderstood continental Europe for most of this century. It did not foresee the First World War. In the 1930s far too much of the British establishment was sympathetic to the Nazis in Germany and the fascists in Italy. In the 1950s it turned its back on what became the Common Market. It has tended to underestimate the Franco-German relationship ever since. It does still.

When Mrs Thatcher says that she still does not want to take Britain into the European Monetary System, not only does she appear to be undermining the exchange rate policy of her Chancellor, she also seems to be delivering a snub to the Europeans. "British economic policy is important to be entrusted to foreigners," as it were.

And it does seem strange that she is so easily able to override the preferences of the Chancellor, Sir Geoffrey Howe, the Foreign Secretary, both of whom would like to go in.

Oddly enough, she was also sceptical about setting up the

medium term financial strategy in 1980 and on the same grounds: that she does not like being obliged "to think on graph paper, it boxes you in". It must be equally annoying for the French and Germans to be the recipients of suggestions that they are trying to build up "sub-structures" that unwittingly could undermine the Atlantic Alliance. What France and Germany are doing is to try to stay as close as possible to each other. The imperative must be to ensure that France plays a full role in the negotiations on conventional arms control that must follow the nuclear agreement between Washington and Moscow. That is in the British interest.

Ever since the first attempt to enter the European Community failed in 1963, the British have tended to make overtures either to Paris or Bonn, seldom to both at the same time. At the moment, it seems to be the French who are in favour, though with elections coming up they could be an uncertain quantity. Meanwhile, the French and Germans have continued to woo each other, despite changes of government in both countries.

The essential aim of British policy now must be to join that act. It is not anti-American, nor will it necessarily be so interpreted in Washington. It is dispiriting to find how little this is being urged on the Prime Minister in London.



David Barchard looks at the first freely contested general election in Turkey since the 1980 coup

The Ozal record is laid on the line

Whether or not the politicians of the 1970s should be allowed to return to political life. The result on September 8 was that the banned politicians regained their rights but by a narrow margin. Their challenge to the Prime Minister was punctured.

His advisers say that Mr Ozal is waiting for a popular mandate to press ahead with sweeping economic and political changes. There is still plenty to be done.

Privatisation of the State Economic Enterprises is still in the planning stage. Imports are subject to stiff surcharges in most cases. There has been little attempt for several years to back up the growth of the money supply under control.

Above all, there is an urgent need to curtail public spending which has ballooned in figure since 1980. It is difficult to see how this can be done without major state agencies across the country embarking on lavish and sometimes blatantly wasteful public works programmes with seemingly lit-

tle central government control. The mood is likely to be one of expansionism. Mr Ozal believes that he is laying the foundations for an industrial society of 100m people in the near future. The country's population is growing at 2.5 per cent a year. Party's election manifesto promises average growth in Gross National Product of seven per cent over the next five years, with exports rising to \$10bn (£6.5bn) this year to \$20bn in the early 1990s.

It conspicuously avoids making firm promises on what most ordinary Turks see as their main problem - the country's high rate of inflation, which has not dipped below 25 per cent this decade and which is currently around 40 per cent. Inflation will be brought down to reasonable levels "as far as the manifesto will go."

There are already signs of a major issue with inflation. A "reasonable level of inflation" can be taken to mean, State banks, old-style bureaucrats in the government and all sorts of private companies would prob-

ably prefer the relaxed budgetary and monetary policies to existing policies. In public these desires translate into the argument that Turkey cannot afford the social costs, notably higher unemployment, which deflationary policies would bring. Around 20 per cent of the labour force is out of work nationally and a 2.5 per cent birthrate means that more than half a million young Turks enter the labour market each year.

Warning signs that the country cannot permit indefinitely with existing policies are already apparent. Though the current account deficit this year will be well below the \$1.5bn of 1986, the country's external debt has climbed from \$16.1bn in 1983 when Mr Ozal took power to \$31.2bn at the end of last year, and the debt servicing ratio has been hovering around 40 per cent - a figure that makes many international bankers uneasy and casts a shadow over Turkey's creditworthiness in the international markets despite the obvious economic recovery of

recent years. Many bankers and economists hope that after the elections Mr Ozal will listen to the Central Bank Governor he appointed last July, 39-year-old Dr Saracoglu, who wants Turkey to pursue steadily non-inflationary policies, even if this means several years of lowered growth rates, higher unemployment and some bankruptcies.

Dr Saracoglu, who is said to be under instructions from the Prime Minister to be "the tightest ever Central Bank governor in Turkey," believes that inflation could come down well below the 20 per cent mark, given appropriate monetary policies, with growth subsequently rising to annual rates of 8 per cent by the early 1990s. This would offset the initial social and political costs.

Whoever wins on Sunday, Dr Saracoglu is virtually certain to make life much more difficult for the incoming government by being less compliant than his predecessor with requests for funds.

Mr Ozal's political strategy if he does regain power is har-

der to fathom. His overriding priority at the moment seems to be to prepare Turkey for full membership of the European Community at the earliest possible date - and he has repeatedly said that he thinks this is ten years or less away. This means that the country has to ensure that negotiations get under way in about two years time when the EC Commission submits its formal opinion on the application for full membership.

A lot of preliminary spadework is going to be needed and it will not be enough simply to continue proclaiming that convergence with Europe is Turkey's main foreign policy goal. Some of the political obstacles which will have to be resolved include restrictions on associations and trade unions, the spreading up of Turkey's international image on human rights and - most contentiously - the lifting of formal bans on Islamic fundamentalist and Marxist political activity.

These are delicate questions because they involve the making of much of the work of the military during

their spell in power between 1980 and 1982. President Kenan Evren, for instance, has already signalled that he does not think that the Communist Party should be legalized and he probably speaks for the still-influential military.

What Mr Ozal and his advisers have been searching for in recent months is a formula which will institutionalise civilian supremacy and at the same time maintain political stability. The preferred political model now seems to be to achieve for the Motherland Party something like the ascendancy which the Liberal Democratic Party enjoys in Japan - the country which has long been Mr Ozal's favourite model for economic development.

There seems to have been a deliberate broadening of the Motherland Party's base to include some social democrats in its ranks. The effect can already be seen in the current election campaign in which the fierce polarisation of the 1970s has been blurred.

The belief is also growing that when President Evren's seven year term in office expires in November next year, Mr Ozal may assume the presidency and appoint a prime minister who would likely assume his mantle in due course.

Businesses can be ignored

From Mr Phillip Oppenheim MP.

Sir, Your recent leader (November 18) supports the CBI's criticism of the Government's proposed rate reforms insofar as they state that the Unified Business Rate will "leave local authorities with no incentive at all...to take businesses' interests into account."

The CBI is living in a dream world if it thinks that many county councils take any serious account of businesses' interests under the current system. Businesses have no vote, despite supplying about a quarter of councils' incomes, and they are largely ignored in left-winged local authorities - any industrialist who has, for example, been through the farcical so-called consultation with the County Council in Derbyshire will tell you that.

Criticism that the community charge will weigh heavily on deprived areas and that anyone will "pay equally towards the cost of local services" are also false - though partly fostered by the Government's own statements. It has been made clear, however, that those on low incomes will receive rebate which will, in many cases, cover the whole of the community charge. This might, in fact, be considered by many actually to be a bad thing, as it perpetuates the schism between responsibility and voting which exists under the current system.

Whatever its faults - and none is claiming it is a panacea - the community charge proposals represent a major advance on the current intolerable state of affairs. There simply are no easy, clean or simple answers to rate reform and it is incumbent on the critics of the proposals to come up with something better. Phillip Oppenheim, House of Commons, London SW1

Letters to the Editor

A land tax would seem more just

From Mrs Winifred Digney.

Sir, Poll tax, wealth tax, property tax, income tax, all have their failings.

No-one likes paying taxes, so what about a tax about which no one with any sense of justice can complain?

What about a tax which does not penalise people who improve their property, which does not hamper production but stimulates enterprise and creates employment, and which is easy to collect and impossible to evade?

A tax on land values fulfils all these criteria.

Land is in a different category from any other form of property. It is not man-made, but a gift of nature to everyone, and no-one is born with a greater right to it than anyone else. Land values are created by the activities of the community, especially those values should belong to the community. The collection of the economic rent in the form of a tax on land values would establish everyone's equal rights to land without necessarily disturbing those in possession. It would provide revenue which could be used for the benefit of everyone, and people would not be deprived of the products of their own efforts.

Government after government has tried and failed to bring about a more equitable distribution of wealth, and charity has often been the only solution, but charity is no substitute for justice. A society which is based on justice is more likely to prosper. Winifred Digney, Walden, Stanley, Stoke-on-Trent

London will get less back

From the Chair, Finance Subcommittee, Inner London Education Authority.

Sir, I have had Westminster City Councilor Barry Legg's letter of October 24 drawn to my attention.

He misses the essential points. Under the government's proposals for local government finance, business rates in Westminster will go up by 38 per cent. This money will not go, as it does at present, to London local government, but will go to finance local government nationally.

London will get less back as a proportion of its spending than other parts of the country. So the level of the tax will be outside Westminster's control, and outside London local government's control, and most of it will not be spent in London. All told, Inner London will have its rate income reduced by £500m, and that is the equivalent of £274 per adult on the average Poll Tax bill.

I cannot see why anybody - whether business representative, householder or councillor - should be happy with this prospect. Rosemary Nicholson, The County Hall, SE1

GATT agreement breaks barriers

From Mr Harry L. Freeman.

Sir, You are to be commended for your editorial (November 13) highlighting the US proposals for negotiating a GATT agreement on services.

International trade in services indeed poses some unique, though not necessarily insurmountable problems for negotiators. Witness the US-Canada

trade agreement recently concluded by the world's two biggest trading partners. For the first time in any major trade agreement, the US-Canada deal includes broad coverage of services, including guarantees of national treatment, cross-border trade, and the right of access to services for traders. The agreement breaks down some important barriers for financial services firms in particular.

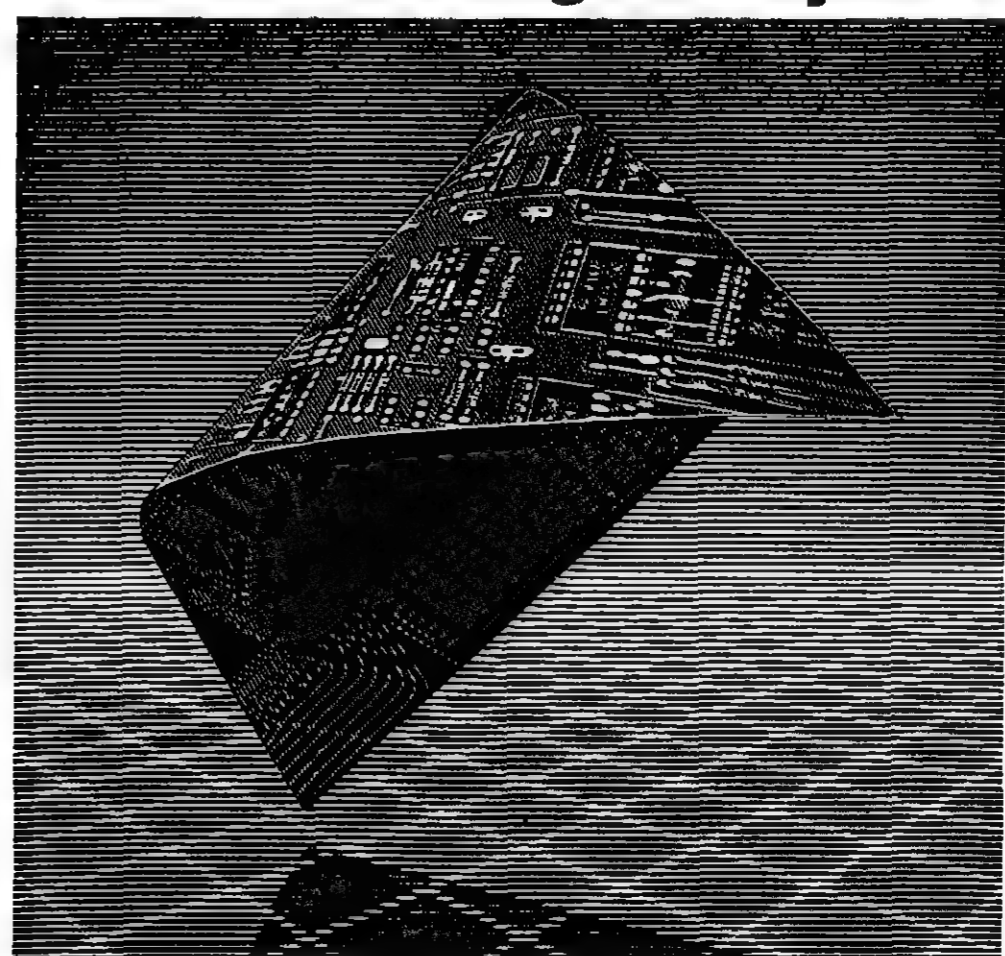
Some issues were skirted, and indeed the negotiators avoided having to do battle with state and provincial regulators. However, taken in its entirety, the agreement represents a major step forward.

Even the US banking law, Glass-Steagall, did not prove to be the obstacle you portray. Even though Glass-Steagall represents a serious constraint, the US remains one of the most open markets in the world for foreign financial services providers. Canada presumably accepted that national treatment of the US market was worth locking in, even with Glass-Steagall.

Finally, I would take issue with your contention that services will not be a major factor in the success or failure of the Uruguay Round. These talks must either move multilateral trade policy ahead into the next century or risk making the GATT trading system irrelevant.

To ignore the reality that services are fast becoming a major source of jobs and growth and an increasingly important component of international trade, would seriously call into question GATT's mandate for the future. After all, the critical question is whether the GATT can stay viable and relevant. If it cannot make progress on the newer areas, such as intellectual property and services, the viability of GATT is questionable. Harry Freeman, Executive Vice President, Corporate Affairs and Communications, American Express Company, American Express Tower, World Financial Centre, New York

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There is a certain amount of cultural confusion on the bottle

From Mr James Boiriot.

Sir, In Roger's report from Tokyo (November 12) comments that "the Japanese government will try very hard to squirm out of meeting GATT's demands...because of strong political pressure from the domestic drinks industry for continued protection". The drink at issue, of course, is whisky, and the alleged protection, apart from an import duty of about 50p per bottle, is - in large measure - outside of direct government control (such as distribution tie-ups), or reflects custom over many years (such as the quality grading system).

Long forgotten in the West is the basic cultural reason for the difference in liquor tax policy between Japan and ourselves. Certainly protectionism and pressure group influences have

been at work - but there is more to it than that.

Our system - the taxation of alcoholic drinks simply according to alcohol content - is a legacy of our willingness to tax an "evil" product, the disrepute of drinking habits of yesteryear, and the subject of prohibition.

Japan's system was never based on this hangup. The Japanese are as far away from understanding our attitude to alcohol as we are from understanding theirs to sex, love hotels or geisha dignity. Japan has always taxed domestically produced drink according to price and quality - on the principle that if you can afford a more expensive drink, you can afford to pay more tax. A poor man's drink such as crude sake or shochu is taxed less than a rich man's pre-

mium grade whisky.

It is therefore a great shame that, at the GATT, the EC has called for a change in the principle of taxation on all liquors in Japan - when the Japanese see their system as fairer and cannot sympathise with the moral case for our system.

Furthermore, in relation to current whisky imports the Japanese are entitled to claim that the existing tax system taxes imported Scotch at the same rate as comparable Japanese products, while that which whisky takes 4 out of every 5 yen spent by Japanese consumers on whisky as Cutty Sark or Johnny Walker Red Label sells for about \$12 a bottle in off-licences in residential areas, and imported whisky takes nearly a third of the

money spent in the market in which it competes. Commercial rather than tax considerations prevent UK distillers from producing crude whisky to compete in the poor quality sector.

By insisting that Scotch whisky is basically cheap and that it should have a lower tax and price in Japan, the EC has already seriously damaged its image as a "prestige" item. "Victory" at the GATT may earn the EC political Brownie points, but it will be the main reason, and a compromise the only concession. There will be an attempt to "save face" for all - and it would be a great mistake to interpret this as "squirming out" of anything at all.

James Boiriot, Economic Research Council, 1 Old Burlington Street, W1

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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Friday November 27 1987

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Plessey to buy Ferranti chip unit for £30m

BY DAVID THOMAS IN LONDON

PLESSEY, the UK electronics group, yesterday announced its intentions of becoming a world-class company in specialised semiconductor when it acquired the semiconductor operations of Ferranti for £30m (\$53.7m) in cash.

This brings together the two largest UK-owned chip companies to create a business with 3,150 workers, which is projected to have sales of £130m in the year ending March, made up of £70m from Plessey and £60m from Ferranti.

Sir John Clark, Plessey chairman, said the merged operations would set about boosting its presence overseas. "The whole purpose of this exercise is to develop growth in Europe and the US."

However, he killed the suggestion that Plessey was interested in taking over Thorn EMI's Inmos semiconductor subsidiary. Thorn wants to sell a controlling stake in Inmos, but Sir John said that it was in a different part of the market to Plessey.

The acquisition is a further sign of Plessey's determination to build up its two remaining core operations, semiconductors and defence, having put its telecommunications equipment manufacturing, about half its business, into a joint venture with the General Electric Company. Plessey has shown its commitment to semiconductors by opening a new \$50m plant in Plymouth this year.

For Ferranti, it represents the abandonment of a market in which it established a world lead in the 1970s when it was first to offer a particular type of chip which is partly customised for the needs of individual customers, known as gate arrays.

Ferranti progressively lost ground in that market to Japanese and US companies because it lacked the resources to match the marketing spread and technological developments of its foreign competitors. Recently, it has

been struggling to make money in its semiconductor operations, which have net assets of \$38m.

Ferranti said yesterday it would put the cash raised from the deal into its recently announced merger with International Signal and Control, the US defence contractor.

Plessey said the merger would offer cost savings, leading to at least the same levels of profitability in the combined company as already exist in Plessey's semiconductors. Before the merger, Plessey's chip operations were expected to make profits of \$6m-57m this year and Ferranti's were projected roughly to break even.

The area of Ferranti's business most likely to be rationalised appears to be its discrete components business, in which about 600 workers make parts such as transistors and diodes in a plant in Manchester. This has been loss making and is not an area in which Plessey is active, but Plessey stressed it had made no decisions yet.

Plessey also emphasised that it would want to maintain Ferranti's main semiconductor operations in the North West, because the two companies make a complementary range of products. Plessey is also keen to build on the US presence of Ferranti, which has a chip plant in California, possibly through joint ventures or a further acquisition.

Plessey and Ferranti have concentrated on customised types of semiconductor, known as Applications Specific Integrated Circuits, which many observers believe will take an increasing share of semiconductor sales. Plessey claimed yesterday that it would now be the largest European-owned ASIC company and in the world's top 10.

Their presence in ASICs allowed both companies to avoid the worst effects of the world's semiconductor slump.

Canute James reports on the battle for control of the world's leading rum producer
A private quarrel shakes up the Bacardi group

BACARDI, the family-owned distiller which is the world's largest rum producer, is caught in a quarrel between members of the Bacardi family over the structure of its ownership.

The row turns on the desire of one faction of shareholders, led by Mr Manuel Luis del Valle, president of Bacardi, to privatise the company, putting ownership in the hands of a few shareholders. This has been opposed by Mr Adolfo Comas Bacardi, whose reward for objecting was his removal as company vice president.

Also sacked were his brother, Mr Tomas Comas Bacardi and two cousins, Mr Jorge Alberto Bacardi and Mr J. Alberto Bacardi.

"We are planning to stop the privatisation, one way or another," said Mr Comas Bacardi. He has filed a petition with the US Securities and Exchange Commission, arguing that the move to privatisation was illegal because the company had more than 300 shareholders. Federal regulations say a private company must have fewer than 300.

"Bacardi Corporation went public in the 1980s to have its stock traded, but there was not much trading," Mr del Valle said. "Our attempts to be public were unsuccessful. People who bought Bacardi shares kept them for investment, and became emotionally attached to the shares."

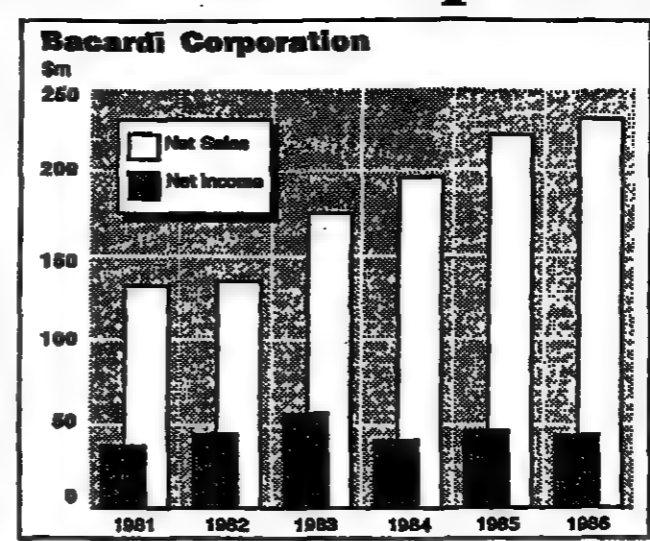
Mr del Valle argued that the decision of the SEC would not affect company operations. "If the SEC says no to privatisation it will not affect us."

Local analysts disagree, suggesting that a protracted row over the structure of its ownership could harm one of Puerto Rico's largest and best-known companies.

The company was started in neighbouring Cuba 125 years ago by Don Facundo Bacardi y Maso, but moved its base to Puerto Rico after the Castro revolution. It is now the only public company in the Bacardi group, which includes Bacardi International in Bermuda, Bacardi and Co. in the Bahamas, Bacardi Imports of Miami and Bacardi y Compania of Mexico.

In August, Bacardi bought back 3.6m shares from Hiram Walker International, the Canadian distiller which is 51 per cent owned by Allied Lyons of the UK. Hiram Walker had a 12.7 per cent stake in Bacardi Corporation and Bacardi y Compania SA. The buyback cost \$106m.

Company sales totalled \$234.2m last year, \$14.1m more than in 1986. For the Puerto Rican economy, Bacardi is important not only for the 800 workers it employs. The company contributes \$6m in income taxes each year and about \$300m in federal excise taxes, most of which is paid to



\$1.00 each were exchanged for one new share of common stock at \$1,000 per share.

"It is a little ridiculous to say that the cost of reporting to the SEC is a factor in privatisation," said Mr Comas Bacardi. "There are other reasons. The most important is that they will not have to do that reporting, so they will be able to enter easily into business arrangements such as mergers and acquisitions or selling parts of the company. They will therefore not have to report this until after the fact."

Saying that he represented 20 per cent of company stockholders - who, he said, numbered at least 500 - Mr Comas Bacardi disclosed that in one year Bacardi and Company and Bacardi International, both privately owned, recently lost \$60m through poor internal controls.

"We feel that having a big company like Bacardi remaining public will make management accountable for any transaction they do behind the backs of shareholders."

He had seen reports which indicated that Bacardi was talking with other companies, including Guinness, the international drinks group, and Seagram, the Canadian drinks group, about possible mergers.

But Mr del Valle dismissed this as "ridiculous. We are growing at a rate of between 3 and 4 per cent per year. We

have a very good business climate. I think the company will continue to grow. There are no plans for any takeovers or mergers and we have not been subject to any takeover offers."

He admitted, however, that Bacardi was looking for other sources of income, particularly in businesses which fitted the corporate culture. Bacardi recently took over Coca-Cola's operations in Puerto Rico.

Mr Comas Bacardi, who said he hoped a hearing by the SEC would not be necessary to settle the dispute, has moved to strengthen the hand of the dissidents by filing a suit to force the transfer of about \$10m of Bacardi stock into 238 newly created family trusts, increasing the number of shareholders.

All this Mr del Valle dismisses as having no effect on the management of Bacardi or the way it operates. He promises that corporate policy will not change.

Such is the nature of the row, however, that there is even disagreement between the two factions about its real cause. "This situation represents a family argument," Mr del Valle said. "These are really passionate affairs that have no logic."

But says Mr Comas Bacardi "It is not a family quarrel, but family is involved. We keep smiling with each other as we did before."

Aachener shows gain

BY HAIG SHONIAN IN FRANKFURT

AACHENER UND Muenchener, the West German insurance group which earlier this year bought a majority stake in Bank fuer Gemeinwirtschaft (BfG) has had an "extraordinarily good" year so far, based on figures to September, said Mr Helmut Gies, chief executive of the holding company, Aachener und Muenchener Beteiligung (AMB).

Income from insurance this year is running at a gross DM47m (\$28m), while AMB had already booked DM40m as its share of BfG's profits in 1986, he said. As a result, he forecast an

unchanged 25 per cent dividend in 1987 on AMB's increased share capital.

The group, which will have a "war chest" of over DM200m by the year end, made DM410m in July from selling its 37.2 per cent stake in Nordstern insurance to the Swiss Winterthur group, and DM22m from the simultaneous sale of its interest in Nordstern's life activities.

Mr Gies, joined by Mr Thomas Wegscheider, chief executive of BfG, gave preliminary details of how the two companies plan to work together.

Blue Circle buys stake

BY MIKE SMITH IN LONDON

BLUE CIRCLE, the British cement company, has acquired 2.6 per cent of Birmid Qualeast, the UK central heating boiler to lawnmower group.

Blue Circle, which began acquiring the 1.9m shares last month, said it viewed Birmid as a good investment and was keeping all of its options open.

Any bid would almost certainly be fiercely fought. Mr Alan Eason, Birmid finance director, said Blue Circle had approached the

group in September for informal merger talks.

Analysts said last night, however, that a bid was likely. "You do not buy 2.6 per cent of a company just for the hell of it," said one.

Birmid, which in February rebuffed a merger approach from engineering group Heyworth Ceramic, disclosed Blue Circle's stake after its shares rose from 200p in early trading yesterday to 224p. At the end of the day they were at 244p.

Sandvik profits up 4%

BY SARA WEBB IN STOCKHOLM

SANDVIK, the Swedish cemented carbide and special steels group, showed a 4 per cent rise in profits (before appropriations and taxes) to SKr1.37bn (\$225m) in the first nine months. Sales were static at SKr9.58bn.

The group expects invoiced sales for the whole year to reach about SKr13bn, compared with SKr12.7bn in 1986, while profits (after financial items) should "slightly exceed" the 1986 figure of SKr1.72bn.

Sandvik showed a 12 per cent rise in profits in the third quar-

ter to SKr449m, helped by higher invoicing and lower raw materials costs, which it said was partly a consequence of the lower dollar.

The group said the lower dollar means an overall slight improvement for Sandvik since it buys raw materials in dollars and sells most of its products in Europe.

Cemented carbide sales slipped 1 per cent to SKr4.97bn while profits (before non-recurring items) edged up 1 per cent to SKr951m. Steel sales fell 2 per cent to SKr2.97bn.

"WITH DIAMONDS WE TALK OF 'LASTING RELATIONSHIPS' AND TODAY WE EXTEND THIS CONCEPT TO EMBRACE OUR EMPLOYEES."

Julian Ogilvie Thompson, Chairman of De Beers Consolidated Mines Limited, discusses the De Beers Employee Shareholder Scheme.

Recent times have seen significant social and economic changes throughout the world. In industry employees have become more involved inter alia through the development of two-way communications and employee share ownership schemes.

In countries like Britain, the United States, West Germany and Japan, managers have become increasingly aware of the virtues of decision-making based on taking the views of all concerned into account.

I like to think that our company, in the course of its long history, has been responsive to changing environments.

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They reflect our belief that, with full participation by all, the economy will continue to grow and that innovation is essential if our company is to remain competitive and operate in a credible way in South Africa beyond Apartheid.

Subject to shareholders' approval, every employee of De Beers and Group participating companies - in South Africa and Namibia - who has completed

two years' qualifying service will be entitled to own shares in De Beers.

Participation will be voluntary and employees who elect to accept the offer will receive, paid for by each participating company, ten shares in De Beers.

Further allocations will be considered on an annual basis probably in March of each year; the number of shares will depend on each participating company's performance and the market price of De Beers shares at the time. The scheme will be reviewed by the Board after an initial five-year period. In keeping with accepted international practice the shares will be held in trust for employees for a four-year vesting period, during which dividends will be paid to the employee shareholder.

Participation in this scheme is not part of the employee reward package. All employees will be offered the same number of shares. The scheme in no way competes with existing processes to determine wages or incentives, nor does it seek to interfere with the collective bargaining process involving trade unions.

Internationally employee shareholding schemes have proved highly successful in building company morale and creating a sense of shared goals. In the company's 100th year De Beers is seeking shareholders' approval to give all employees the opportunity to participate directly in the company through a De Beers Employee Shareholder Scheme. In this way, employees will receive a direct stake in the rewards that flow from De Beers position as leader of the world diamond business, a position to which employees have so importantly contributed.

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INTERNATIONAL COMPANIES & FINANCE

Costs check German bank results

BY HANS SIBOMAN IN FRANKFURT

PROFITS at Dresdner Bank and Commerzbank, West Germany's second and third largest commercial banks respectively, fell appreciably for the first 10 months of 1987 following higher costs and the first effects of last month's stock market collapse.

The downturn has been sharper at Dresdner, where partial operating profits at parent company level declined 16 per cent to DM639m (\$384.5m).

Commerzbank made DM556m at parent company level in the period, 14 per cent down from its DM656m profit at the 10-month stage last year.

Neither bank disclosed its full operating profits, which include gains from own-account trading for the period. But both said full earnings fell more sharply than their partial results.

Mr Wolfgang Roeller, Dresdner Bank's speaker (chief executive), said it had not been possible to repeat last year's extraordinary own-account trading gains.

Mr Walter Seipp, Commerzbank's speaker, said successful foreign exchange trading helped the bank's own-account earnings but these were still down, not least because of recent developments in the securities markets.

The figures were slightly better at group level at both banks with partial operating earnings falling slightly less sharply.

Commerzbank made DM882m at group level and Mr Seipp said the bank was still looking to a "satisfactory result" for the year as a whole. However, he ruled out any change in the dividend.

Total group assets increased by 3.9 per cent at Dresdner to DM244bn, and by 7.1 per cent at Commerzbank to DM159bn.

Dresdner's interest earnings at parent bank level increased marginally, despite a 0.3 per cent fall in its interest margin. Mr Roeller said fee income, which rose by 0.9 per cent, developed more favourably than expected.

Similarly, interest earnings at Commerzbank rose by 0.8 per cent to DM1.8bn, while fee income increased to DM812m.

However, earnings at both banks have been affected by substantial cost rises, notably in personnel. Staff costs at Dresdner were running 5.3 per cent higher while those at Commerzbank increased by some 7.6 per cent, partly due to staff increases in both cases.

Mr Seipp said Commerzbank hoped to extend its existing co-operation with Credit Lyonnais, and he did not rule out the possibility of eventual cross-shareholdings between the two in view of the planned free market in financial services in the European Community in 1992.

Commerzbank hoped to be the only foreign "hard core" shareholder in Credit Lyonnais when it was privatised, with a stake of between 5 and 10 per cent, said Mr Seipp.

The bank had no plans to follow Deutsche Bank by buying into either a management consultant or an estate agency, he added.

Commerzbank said it planned to develop as a European and not merely a German bank. "We do not want to be a German regional bank in this European market, but play an important part in the concert of the European banking community."

This would require stronger growth and more co-operation, an example of which would be the mutual exchange of stakes with Credit Lyonnais with which Commerzbank has links through the Europartners banking group.

The planned privatisation of Credit Lyonnais is a precondition for any cross-shareholding, the Commerzbank chairman said. He added specialised firms should retain the freedom of action that came from remaining independent.

Norwegian ore smelter seeks government aid

By Our Oslo Correspondent

TYSSDAL Smelter Works, the Norwegian group which produces ilmenite (black ore of titanium), has run into acute liquidity problems during its commissioning phase and is asking for a government cash injection of more than Nkr150m (\$23.4m) to keep it afloat.

The company blames its main supplier and contractor, Elkem, the metals group, for most of the group problems.

Tysedal says that capital, which should have been used during the commissioning phase of the smelter works, has had to be diverted to get Elkem's equipment working properly.

The smelter works, which was shut down yesterday, has been operating at less than 20 per cent of capacity.

In its budget for 1988, the company said it needed to operate at 50 per cent capacity, at least.

According to ministers, the Government will be unable to meet Tysedal's demands before early next year, if at all.

The company's board is at present to decide on its next actions.

Continental to expand in US

BY ANDREW FISHER IN HANNOVER

CONTINENTAL, the West German tyre group, plans to lift capacity in its newly acquired US plants by investing more than \$100m and to increase spending sharply in Europe.

Mr Horst Urban, chairman, said Conti, which has just bought General Tire in the US for \$650m, intended to be ready for an expected surge in demand from Japanese car-makers building plants in the US.

He forecast that with the extra capacity, more Japanese production would export heavily to Europe, taking advantage of the weaker dollar. "We will have a second Japanese invasion here in the next few years."

Japanese cars already account for 15 per cent of the German market through direct exports.

Mr Urban noted that US consumers also aimed to export more vehicles to Europe, which would further help General Tire.

Both the new US subsidiary and Conti in Europe were working at full capacity, Mr Urban said.

Excluding General Tire, Conti will raise capital spending to well over DM500m (\$300m) in 1987. Future spending commitments will top DM400m for the first time.

In the first nine months, Conti's turnover totalled DM3.5bn, a rise of 1 per cent. While the car market in Europe remains buoyant, tyre makers are under pricing pressure from cost-conscious car producers. Conti's volume sales of car tyres rose by 6 per cent.

For the full year, Conti expects turnover (without General Tire) to be about the 1986 level at DM3.5bn. The former D-Mark will cost Conti about DM70m in foreign revenues.

Commenting on the dollar's slide, Mr Urban said "the pain threshold" had been reached with the US currency at DM1.85. Lately it had been below DM1.70.

BASF profits edge up at nine months

BY DAVID MARSH IN LUDWIGSHAFEN

BASF, the large West German chemicals group, nudged pre-tax profits ahead by 0.4 per cent to DM2.16bn (\$1.3bn) in the first nine months of 1987. Sales over the period declined 2.8 per cent to DM20.16bn.

BASF is the last of the big German chemicals companies to report nine-month results, all of which have shown an improved trend on last year in spite of problems caused by the fall of the dollar.

For 1987 as a whole, BASF expects at least to maintain last year's pre-tax profit level of DM2.65bn and looks likely to pay an unchanged DM10 dividend. Turnover is projected at just under DM40bn, against DM40.47bn in 1986.

Like Bayer earlier this week, BASF put an optimistic gloss on the latest financial market turbulence.

Mr Hans-Albert, chairman, said the fall in the dollar to less than DM1.70 hit almost all sectors such as crop protection and dyestuffs and improved competitors' positions in areas such as potash and magnetic tapes.

Mr Albert said that BASF's overall vulnerability to dollar fluctuations was reduced by its strong factory presence in the US and its well-balanced product mix.

More than 90 per cent of BASF's sales in North America, which account for more than 30 per cent of group turnover, are produced there.

The chairman said the company was coping with weak results for the first nine months, which would make an operating loss this year, as well as in the Wintershall refinery business, which might break even.

Group capital investment for next year is put at DM8bn against DM2.5bn this year.

The company has come in for more domestic political criticism over an accidental spillage of insecticide into the Rhine.

Mr Hans-Otto Wilhelm, Environment Minister in the state of Rheinland-Palatinate where BASF is based, criticised the company for delaying an announcement of the mishap.

The several hundred litres of vinclozolin insecticide, which washed into the river were said by BASF to be in a concentration harmless to humans or fish.

The company said the total number of such accidents to date this year had fallen to 85, from 60 last year.

Dutch insurer sees 15% decline

BY OUR FINANCIAL STAFF

AMEV, the Dutch insurance group, yesterday forecast a profit decline of between 10 and 15 per cent for 1987 following lower results for the first nine months.

On unchanged revenue of Fl. 5.7bn, net profits for the nine months were Fl. 211.7m (\$113.2m) against Fl. 250.5m a year earlier. Per share earnings were Fl. 3.88, down from Fl. 4.29 for the whole of last year, profits totalled Fl. 322.5m.

Earlier this week, Nationale-Nederlanden, the largest insurance group in the Netherlands, announced modestly higher nine-month earnings and said overall profits in 1987 would be at least maintained.

Minister confirms Statoil reshuffle

By Karen Powell in Oslo

MR ARNE OEHEN, Norway's Oil and Energy Minister, yesterday confirmed the appointment of Mr Jan Erik Langangen, the managing director of Storebrand, Norway's largest insurance company, as the replacement for Mr Inge Johansen, Statoil board chairman.

Mr Johansen withdrew from his post with five other board members last week in a shake-up of the state oil company after revelations of a Nkr5.4bn (\$843m) cost over-run on a refinery and terminal expansion project.

Two women were also appointed to the new board. The former board had only one female representative. It is not yet clear if Mr Arve Johnsen, Statoil's president, will be replaced.

Many opposition politicians yesterday voiced their disquiet at Mr Oehen's choice. They believe it will not be long before the Statoil board will face further changes.

Mr Gro Harlem Brundtland, Prime Minister, is also understood to be disappointed with some of the appointments.

Mr Harald Norvik, currently managing director of Astrup Roeyer, a member of Norway's big industrial group Aker-Norvea, as posing some conflict of interest. Aker-Norvea is one of Statoil's largest suppliers of goods and services.

Mr Langangen, the new chairman, will only be a part-time board member in spite of the Oil Minister's call for a more active participation in Statoil affairs by the new board.

Mr Langangen, 37, was a former Statoil director between 1976 and 1982.

Creditanstalt in Moscow move

By Our Vienna Correspondent

CREDITANSTALT, Austria's largest bank, yesterday opened a representative office in Moscow, the first Austrian bank to do so.

Mr Hannes Androsch, general director, said Creditanstalt's presence in Moscow would facilitate trade between the two countries.

Creditanstalt already has representative offices in Budapest and Prague and holds a minority share in the Central European International Bank, which is based in Budapest.

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Interest Rate	8% per annum
Interest Period	27th November 1987 27th May 1988
Interest Amount due 27th May 1988 per U.S. \$10,000 Note	U.S. \$ 404.44
per U.S. \$50,000 Note	U.S. \$2,022.20

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1.5% Due 31st January, 2000

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1.5% Due 31st January, 1997

3rd Convertible Bonds \$20,000,000 10 1/2%

1.5% Due 31st January, 1994

4th Convertible Bonds \$20,000,000 10 1/2%

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This agreement is subject to regulatory approval and pending legislation.

INTERNATIONAL CAPITAL MARKETS & COMPANIES

Hindujas plan to diversify Ashok

BY JOHN ELLIOTT IN BOMBAY

THE INDIAN-BORN Hindujas family, which has widespread international trading and business interests, hopes to develop industrial and financial activities in India with an annual turnover of Rs20bn to Rs30bn (\$1.5bn to \$2.3bn) during the next five years, following its current takeover of Ashok Leyland, a Madras-based truck and bus manufacturer, from Rover Group of the UK.

This would make it one of the largest companies in the country. The main investment areas planned include diversification of Ashok Leyland into car manufacture and other products, development of power station and petro-chemical projects, and operating international financial services. Pharmaceutical manufacture is another area believed to be under consideration.

The Hindujas belong to the Chikarpur trading caste from the River Indus region of Sind, in what is now Pakistan. They moved to Iran in 1919 where

they built up immense family wealth and developed trading and other activities which they have always kept as secret as possible, advertising only their considerable charitable activities and extensive high-level political contacts.

The family estimates that its privately-owned worldwide business - controlled by four brothers in London, Geneva and Bombay - has had an average annual turnover of \$8bn to \$9bn in the past four years. Now the family wants to expand into industry and commerce, and Mr Brijendra P. Hinduja, the elder brother, says that they recognise this means they must develop a slightly higher public profile.

Along with several other rich non-resident Indians, the Hindujas have been trying to gain an industrial base in India for several years. But they were unsuccessful until the end of last month when, in partnership with Fiat Iveco of Italy, they won 36 per cent of Ashok Ley-

land and 51 per cent of an allied company, Ennore Foundries, from Rover for a total of about \$27m (\$48.5m).

These controlling stakes were held by Leyland Rover International Holdings which is now owned by a new Luxembourg-registered company, Machen Iveco Fiat Holdings. Machen is 70 per cent owned by the Hindujas and 30 per cent by Fiat, and its board consists of members of the Hinduja family and Fiat representatives. Two non-family executives from the Hinduja businesses and one Fiat executive have been appointed by Machen to the Ashok Leyland board.

The Hindujas say that Ashok Leyland, which has an annual turnover of about \$60m, has the necessary government industrial licences to expand from commercial vehicle production into cars, and they are believed to be talking to Volkswagen and BMW as well as Fiat about the possibilities. They also want to expand

into allied areas, including tractors, using Fiat's technology and link-ups to raise technology and boost exports.

Other projects in India include bids totalling \$22m made jointly with Bechtel to develop three power stations in Bombay, and the states of Karnataka and Orissa, and a petroleum blending plant. The family is also believed to be bidding to enter the pharmaceutical industry by acquiring a stake in IDL Chemicals of Hyderabad in southern India from Dyno of Norway.

There is also a Bombay-based international financial services company, Aamas. This is linked with a company which was started in Geneva eight years ago by the Hindujas with Credit Suisse First Boston, and is now entirely owned by the family. Aamas is to be expanded at a time when India is short of expert private-sector financial expertise in areas such as portfolio management and underwriting.

Brierley sees more NZ corporate upsets

BY DAI HAYWARD IN WELLINGTON

MR RON BRIERLEY, New Zealand's leading investor, yesterday forecast that the collapse in equity markets would bring further corporate upsets in that country, but stressed the solidity of his own group.

He told the annual meeting of Brierley Investments (BIL) that the continuing uncertainty and volatility had probably affected New Zealand more than most countries. He warned that "further casualties can be expected to prolong the unsettled conditions."

Many of the newer listings in New Zealand in recent years had

been of "diminishing quality" and these companies were under great strain in the present climate.

By contrast, he argued, share prices of BIL along with Telecom New Zealand (TKM) and Industrial Equity, its UK and Australian subsidiaries, are all well undervalued as a result of the collapse considering their underlying strength and the solid industrial and commercial companies in their respective groups.

Telling shareholders, at the 3,500-strong meeting in Auckland, that the company's annual

outdated, Mr Brierley said conventional wisdom had long anticipated the dramatic share market fall but with an apparently limitless inflow of capital this had always seemed far away.

Increased share activity by the public - two years ago BIL had 40,000 shareholders and now has 167,000 - meant the shake-out had been more widely felt than before.

So-called entrepreneurial companies had been particularly hard hit in recent weeks - not without justification, he added. BIL shares were in this category but he questioned whether the

degree of fall was merited. Referring to TKM, Mr Brierley said its share price for most of this year had been between \$1.30 and \$1.50. This gave a capitalisation of more than \$300m (US\$538.5m). At the current 60p level the capitalisation had plummeted to \$130m.

"This seems a rather irrational re-rating of a visibly thriving trading concern, its only connection with the stock market is an insignificant portfolio of less than \$10m."

BIL's 1987-88 year would obviously be difficult but it could call on its accumulated strength to prosper, he added.

Southern Life increases profits

BY JIM JONES IN JOHANNESBURG

SOUTHERN LIFE, the South African life insurer, increased assets and profits strongly in the six months to September but Mr Noel Chapman, the chief executive, warns that the subsequent stock market crash will have sharply reduced the balance sheet value of assets.

Net premium income rose to R578m (\$292m) from R406m in the same period of 1986, investment income increased to R284m from R261m and the net attributable profit was R222m against R208.6m.

Total assets calculated on end-

September share values were R9,188m against R8,588m a year earlier and R7,728m at end-March this year.

Per share earnings are now calculated as being half of the previous year's total as full actuarial valuations are carried out at the year-end. As a result, interim earnings rose to 19.5 cents a share from 16.8 cents and the interim dividend has been lifted to 13 cents from 9.6 cents.

Southern Life is controlled by Anglo American Corporation, South Africa's largest mining house.

Volkskas, South Africa's fourth largest commercial bank, lifted net profits 15.8 per cent in the six months to September to R29.3m from R25.3m. Our Financial Staff adds.

Per-share net earnings were 91.9 cents compared with 85 cents. Capital was increased following a deal in which Volkskas took 10 per cent of UBS Holdings, which owns the United Building Society, the country's biggest mortgage lender. UBS in turn obtained a 30 per cent stake in Volkskas.

Texaco deal fuels speculation over Bell

By Bruce Jacques in Sydney

SHARES IN Mr Robert Holmes a Court's flagship companies flamed yesterday on news that the troubled Australian entrepreneur had sold half his interest in Texaco of the US for \$850m (US\$851.5m).

Bell Group shares added 20 cents to A\$2.80 and Bell Resources 5 cents to A\$1.76 as speculation increased that Mr Holmes a Court had re-established enough corporate strength to launch a new takeover.

Added to recent sales of property and of shares in Broken Hill Proprietary, the Texaco deal means Mr Holmes a Court's companies have raised more than A\$1bn in the past fortnight. The asset disposals must have gone some way towards satisfying the group's bankers that it has the liquidity to re-enter the takeover arena.

Mr Holmes a Court sold 15m Texaco shares to Mr Carl Icahn's Trans World Advisors in the US \$850m share. TWA also has the first right of refusal to purchase Bell Resources' remaining 12.09m Texaco shares. Bell has already realised a pre-tax book loss of A\$92m on the deal (reducing to A\$62m after minority interests are deducted) and faces a further book loss on the remaining shares.

The Australian stock market, however, generally saw the sale as reducing uncertainty about Mr Holmes a Court's corporate future. Analysts believe he is now likely to launch a takeover bid for an Australian company, largely because the domestic market has fallen further than those in the US and the UK.

But he still faces a dilemma: in that a bid for either of his two most likely targets, BHP or Whitehaven, would mean he would control 26.5 per cent, and Pioneer Concrete Services, where he has 18 per cent - would probably be negative for his cash flow.

It is unlikely that banks would lend on such a proposition, especially in the bear market, and Mr Holmes a Court no longer has any realistic option of using his scrip as consideration.

Mr Alan Bond, Perth's other leading entrepreneur, is to take full control of St Ives Gold in the US by paying US\$51m for the remaining 9.7 per cent still in public hands. Our Financial Staff adds.

Dellhold Investments, his private company, this morning bought the majority of the company from Fluor for \$500m, a sum which also included Fluor's interest in a few other gold properties. It expects to complete the deal by the end of this year.

Fuerzas Eléctricas de Cataluña, S.A. (FECSA)

has sold its subsidiaries comprising

The Catalan Concrete Group

Cement-Roadstone España, S.A.

a wholly owned subsidiary of

CRH plc

We acted as financial advisor to FECSA in this transaction and assisted in the negotiations.

Merrill Lynch Europe Limited

November 1987

The Permanent Trustee Company Limited
as Trustee of Queensland Coal Trust

US \$45,000,000.00

Floating Rate Notes maturing 1998.

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from November 30, 1987 to May 31, 1988 the following information is relevant:

1. Applicable Interest Rate: 7.7875% per annum
2. Interest payable on next interest Payment Date: US \$3,958.65 per US \$100,000.00 nominal
3. Next Interest Payment Date: May 31, 1988

BA Asia Limited
Reference Agent

November 26, 1987

U.S. \$125,000,000

BANK OF BOSTON
CORPORATIONFloating Rate
Subordinated Notes Due 1998
Issued 26th August 1986

Interest Rate	7.55% per annum
Interest Period	27th November 1987 29th February 1988
Interest Amount per U.S. \$50,000 Note due 29th February 1988	U.S. \$985.68

Credit Suisse First Boston Limited
Agent Bank

U.S. \$600,000,000

Commonwealth of Australia
Floating Rate Notes Due 1998

Interest Rate	7.96% per annum
Interest Period	27th November 1987 27th May 1988
Interest Amount due 27th May 1988 per U.S. \$10,000 Note and U.S. \$500,000 Note	U.S. \$372.85 U.S. \$18,642.36

Credit Suisse First Boston Limited
Agent Bank

U.S. \$200,000,000

Wells Fargo
& CompanyFloating Rate
Subordinated Notes
due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 27th November, 1987 to 27th December, 1987 the Notes will carry an interest rate of 7% per annum. Interest payable on the relevant interest payment date 27th December, 1987 will amount to US\$60.28 per US\$10,000 Note and US\$60.40 per US\$50,000 Note.

Agent Bank:
Morgan Guaranty Trust
Company of New York
London

Can. \$75,000,000

Province of New Brunswick
Floating Rate Notes due May 1988

Notice is hereby given that in respect of the interest period from November 27, 1987 to February 28, 1988, the Notes will carry an interest rate of 8.75% per annum. The amount payable on February 28, 1988, against Coupon No. 15 will be Can. \$233.37 for Bearer Notes of Can. \$10,000 principal amount and Can. \$23.34 for Bearer Notes of Can. \$1,000 principal amount. Can. \$23.34 will be payable on each Can. \$1,000 principal amount of a Registered Note.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
November 27, 1987The Prudential
Insurance Company of America

U.S. \$500,000,000

Collateralized Mortgage Obligations
Series 1986-1

For the period 25th November, 1987 to 29th December, 1987 the Bonds will carry an interest rate of 7.325% per annum with an interest amount of U.S. \$235.27 per U.S. \$50,000 (the original Principal Amount) Bond, payable on 29th December, 1987. The Principal Amount of the Bonds outstanding is expected to be 68,016,649% of the original Principal Amount of the Bonds, or U.S. \$34,008.32 per Bond until the Twelfth Payment Date.

Bankers Trust
Company, London

Agent Bank

U.S. \$125,000,000

European American Bancorp
(Incorporated in the State of New York, U.S.A.)

Floating Rate Notes Due 1992

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the three months from 27th November 1987 to 29th February 1988 the Notes will carry an interest rate of 7% per annum. On 29th February 1988, interest of U.S. \$199.10 will be due per U.S. \$10,000 Note for Coupon No. 8.

EBC Amro Bank Limited
(Agent Bank)

27th November 1987

JUGOBANKA
United Bank

U.S. \$50,000,000

Floating Rate Notes due 1989

For the six months to 31st May 1988 the Notes will carry an interest rate of 8.96% per annum.

Coupon values will be:
\$1,000 Notes \$42.89 \$10,000 Notes \$428.91
Barclays Bank PLC, London
Agent Bank

Lloyds
Eurofinance N.V.Guaranteed Floating Rate
Notes due 1996

For the three months November 26, 1987 to February 26, 1988 the Notes will carry an interest rate of 9.1875% p.a. with a Coupon Amount of £115.47 in respect of £5,000 nominal of the Notes and £577.36 in respect of £25,000 nominal of the Notes payable on February 26, 1988.

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London, Agent BankSELL
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INTERNATIONAL CAPITAL MARKETS & COMPANIES

Belgium's Y55bn issue meets positive response

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE INTERNATIONAL bond markets were almost uniformly quiet yesterday, the US Thanksgiving Day holiday providing dealers with the excuse for leaving early.

In London, the only area of activity was triggered by a long-awaited issue in Europe for Belgium through Nikko Securities (Europe). As expected, the Y55bn issue came with a five-year maturity, a coupon of 6 1/2 per cent and an issue price of 102 1/2.

The reaction to the issue, regarded as fairly priced, was generally positive and it closed the day bid at a discount 1.65, within total fees of 1 1/2 per cent. The issue proceeds will be used to repay a \$400m floating rate note due in December 2004, launched in 1984.

Despite some overnight softness in the Japanese government bond market, dealers reported that the yield on the issue, of about 5.2 per cent, was enough to prompt switching out of seasoned European issues. It was also in line with the market preference for sensibly-priced issues from high-rated borrowers.

Nikko said the issue had met substantial demand from Europe, which should allow the issue to remain fairly liquid.

The Canadian province of Alberta launched one of the largest straight bond issues ever to have been made in the Swiss market. The Sfr400m bond carries a 5 per cent coupon and a 10-year maturity and was lead managed by Union Bank of Switzerland.

INTERNATIONAL BONDS

The other new public issue was a five-year Sfr700m issue for Mitsubishi Mining and Cement, guaranteed by Mitsubishi Bank. It carries a 4 1/2 per cent coupon and a par issue price and is being lead managed by Credit Suisse.

In the Swiss secondary market, prices ended narrowly mixed. A Sfr120m issue for USF&G with a 5 1/2 per cent coupon closed its

first day's trading at 97, 2 1/2 points below issue price.

While the Eurodollar bond market ended little changed, activity in West Germany was also subdued. Domestic D-Mark bonds lost up to 40 basis points amid market uncertainty, although there was still some demand for short maturities. The weaker performance of New York on Wednesday night and an easier dollar sent conflicting signals to the market.

Investors are awaiting the announcement of Tuesday's terms of a new Federal Post Office issue. An issue, expected of \$2bn to 10 years in maturity, priced in line with the last Post Office issue with a 6 1/2 per cent coupon, which is yielding about 6 1/2 per cent.

Euro D-Mark issues were easier by about 1/4 point in quiet trading.

Eurotime, the Swiss-based rolling stock financing concern, made a DM650m private placement through BNP-Paribas. The issue, due in December 1993, has a 5 1/2 per cent coupon and a 5 1/2 per cent coupon, and the lead manager quoted it at 99 1/4.

Eurocredit business hots up

BY OUR EUROMARKETS CORRESPONDENT

A FLOOD of corporate borrowers have moved in this week to tap the active syndicated loans market.

The largest borrowing is a \$600m revolving credit for American Brands, the US tobacco group. The others include a \$250m financing for Statoil, the Norwegian state oil company, a \$200m credit for Marigold, the US hotelier, and an Ecu150m multi-currency facility for Dollfus Mieg (DMC), the French glass maker.

The American Brands deal, being arranged by Citicorp, carries a three-year maturity, a commitment fee of 8.25 basis points, a margin on drawings of 20 basis points with a fee of an extra 5 basis points if more than half drawn. There is provision for the margin to be raised to 25 basis points if the company's long-term debt rating falls below a certain level.

An 11-bank underwriting

group has already been put in place for the Statoil facility, being arranged by Bank of Montreal and Citicorp, and used partly to support the company's commercial paper programmes.

The committed portion has a 6 1/2 per cent margin, and there is a facility fee of 5 basis points which rises to 6.25 basis points after June 1991. Utilisation fees are payable to a maximum of 12.5 basis points if more than two-thirds drawn.

The Marigold deal, being put together by Credit Suisse First Boston, carries a facility fee of 10 basis points and a margin on drawings of 20 basis points. It carries a 7-year term.

The DMC facility, being arranged by Credit Lyonnais, has a 5-year maturity and a margin on drawings of 15 basis points, and on domestic French francs of 17.5 basis points. There is a facility fee of 7

basis points, a utilisation fee if more than half drawn of 5 basis points, and front-end fees ranging from 1 to 2 per cent of the Ecu12m commitment.

United Mizrahi Bank is syndicating a \$25m trade facility for the state-owned National Coal Security Corporation of Israel, which provides for six-month drawings to finance coal imports. It pays interest at 1/2 per cent over London interbank offered rate (Libor), and there is a draw-down fee of 5 basis points and a non-utilisation commission of 12.5 basis points.

© Euroatings, the London-based credit assessment agency, said yesterday it had reaffirmed its top B1 plus short-term rating for Statoil after re-examining the company in response to investor concerns.

The company's credit status is "inexorably drawn to the level of the Kingdom of Norway" despite the lack of direct government debt guarantees, the agency said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

ISSUER		Face Value	Coupon	Term	Yield	Price	Change
NEW STRAIGHTS							
Algeria National 7 1/2 %	200	97 1/2	0	0	10.5	102.50	+0.25
Algeria National 8 1/2 %	200	97 1/2	0	0	11.5	102.50	+0.25
Algeria National 9 1/2 %	200	97 1/2	0	0	12.5	102.50	+0.25
Algeria National 10 1/2 %	200	97 1/2	0	0	13.5	102.50	+0.25
Algeria National 11 1/2 %	200	97 1/2	0	0	14.5	102.50	+0.25
Algeria National 12 1/2 %	200	97 1/2	0	0	15.5	102.50	+0.25
Algeria National 13 1/2 %	200	97 1/2	0	0	16.5	102.50	+0.25
Algeria National 14 1/2 %	200	97 1/2	0	0	17.5	102.50	+0.25
Algeria National 15 1/2 %	200	97 1/2	0	0	18.5	102.50	+0.25
Algeria National 16 1/2 %	200	97 1/2	0	0	19.5	102.50	+0.25
Algeria National 17 1/2 %	200	97 1/2	0	0	20.5	102.50	+0.25
Algeria National 18 1/2 %	200	97 1/2	0	0	21.5	102.50	+0.25
Algeria National 19 1/2 %	200	97 1/2	0	0	22.5	102.50	+0.25
Algeria National 20 1/2 %	200	97 1/2	0	0	23.5	102.50	+0.25
Algeria National 21 1/2 %	200	97 1/2	0	0	24.5	102.50	+0.25
Algeria National 22 1/2 %	200	97 1/2	0	0	25.5	102.50	+0.25
Algeria National 23 1/2 %	200	97 1/2	0	0	26.5	102.50	+0.25
Algeria National 24 1/2 %	200	97 1/2	0	0	27.5	102.50	+0.25
Algeria National 25 1/2 %	200	97 1/2	0	0	28.5	102.50	+0.25
Algeria National 26 1/2 %	200	97 1/2	0	0	29.5	102.50	+0.25
Algeria National 27 1/2 %	200	97 1/2	0	0	30.5	102.50	+0.25
Algeria National 28 1/2 %	200	97 1/2	0	0	31.5	102.50	+0.25
Algeria National 29 1/2 %	200	97 1/2	0	0	32.5	102.50	+0.25
Algeria National 30 1/2 %	200	97 1/2	0	0	33.5	102.50	+0.25
Algeria National 31 1/2 %	200	97 1/2	0	0	34.5	102.50	+0.25
Algeria National 32 1/2 %	200	97 1/2	0	0	35.5	102.50	+0.25
Algeria National 33 1/2 %	200	97 1/2	0	0	36.5	102.50	+0.25
Algeria National 34 1/2 %	200	97 1/2	0	0	37.5	102.50	+0.25
Algeria National 35 1/2 %	200	97 1/2	0	0	38.5	102.50	+0.25
Algeria National 36 1/2 %	200	97 1/2	0	0	39.5	102.50	+0.25
Algeria National 37 1/2 %	200	97 1/2	0	0	40.5	102.50	+0.25
Algeria National 38 1/2 %	200	97 1/2	0	0	41.5	102.50	+0.25
Algeria National 39 1/2 %	200	97 1/2	0	0	42.5	102.50	+0.25
Algeria National 40 1/2 %	200	97 1/2	0	0	43.5	102.50	+0.25
Algeria National 41 1/2 %	200	97 1/2	0	0	44.5	102.50	+0.25
Algeria National 42 1/2 %	200	97 1/2	0	0	45.5	102.50	+0.25
Algeria National 43 1/2 %	200	97 1/2	0	0	46.5	102.50	+0.25
Algeria National 44 1/2 %	200	97 1/2	0	0	47.5	102.50	+0.25
Algeria National 45 1/2 %	200	97 1/2	0	0	48.5	102.50	+0.25
Algeria National 46 1/2 %	200	97 1/2	0	0	49.5	102.50	+0.25
Algeria National 47 1/2 %	200	97 1/2	0	0	50.5	102.50	+0.25
Algeria National 48 1/2 %	200	97 1/2	0	0	51.5	102.50	+0.25
Algeria National 49 1/2 %	200	97 1/2	0	0	52.5	102.50	+0.25
Algeria National 50 1/2 %	200	97 1/2	0	0	53.5	102.50	+0.25
Algeria National 51 1/2 %	200	97 1/2	0	0	54.5	102.50	+0.25
Algeria National 52 1/2 %	200	97 1/2	0	0	55.5	102.50	+0.25
Algeria National 53 1/2 %	200	97 1/2	0	0	56.5	102.50	+0.25
Algeria National 54 1/2 %	200	97 1/2	0	0	57.5	102.50	+0.25
Algeria National 55 1/2 %	200	97 1/2	0	0	58.5	102.50	+0.25
Algeria National 56 1/2 %	200	97 1/2	0	0	59.5	102.50	+0.25
Algeria National 57 1/2 %	200	97 1/2	0	0	60.5	102.50	+0.25
Algeria National 58 1/2 %	200	97 1/2	0	0	61.5	102.50	+0.25
Algeria National 59 1/2 %	200	97 1/2	0	0	62.5	102.50	+0.25
Algeria National 60 1/2 %	200	97 1/2	0	0	63.5	102.50	+0.25
Algeria National 61 1/2 %	200	97 1/2	0	0	64.5	102.50	+0.25
Algeria National 62 1/2 %	200	97 1/2	0	0	65.5	102.50	+0.25
Algeria National 63 1/2 %	200	97 1/2	0	0	66.5	102.50	+0.25
Algeria National 64 1/2 %	200	97 1/2	0	0	67.5	102.50	+0.25
Algeria National 65 1/2 %	200	97 1/2	0	0	68.5	102.50	+0.25
Algeria National 66 1/2 %	200	97 1/2	0	0	69.5	102.50	+0.25
Algeria National 67 1/2 %	200	97 1/2	0	0	70.5	102.50	+0.25
Algeria National 68 1/2 %	200	97 1/2	0	0	71.5	102.50	+0.25
Algeria National 69 1/2 %	200	97 1/2	0	0	72.5	102.50	+0.25
Algeria National 70 1/2 %	200	97 1/2	0	0	73.5	102.50	+0.25
Algeria National 71 1/2 %	200	97 1/2	0	0	74.5	102.50	+0.25
Algeria National 72 1/2 %	200	97 1/2	0	0	75.5	102.50	+0.25
Algeria National 73 1/2 %	200	97 1/2	0	0	76.5	102.50	+0.25
Algeria National 74 1/2 %	200	97 1/2	0	0	77.5	102.50	+0.25
Algeria National 75 1/2 %	200	97 1/2	0	0	78.5	102.50	+0.25
Algeria National 76 1/2 %	200	97 1/2	0	0	79.5	102.50	+0.25
Algeria National 77 1/2 %	200	97 1/2	0	0	80.5	102.50	+0.25
Algeria National 78 1/2 %	200	97 1/2	0	0	81.5	102.50	+0.25
Algeria National 79 1/2 %	200	97 1/2	0	0	82.5	102.50	+0.25
Algeria National 80 1/2 %	200	97 1/2	0	0	83.5	102.50	+0.25
Algeria National 81 1/2 %	200	97 1/2	0	0	84.5	102.50	+0.25
Algeria National 82 1/2 %	200	97 1/2	0	0	85.5	102.50	+0.25
Algeria National 83 1/2 %	200	97 1/2	0	0	86.5	102.50	+0.25
Algeria National 84 1/2 %	200	97 1/2	0	0	87.5	102.50	+0.25
Algeria National 85 1/2 %	200	97 1/2	0	0	88.5	102.50	+0.25
Algeria National 86 1/2 %	200	97 1/2	0	0	89.5	102.50	+0.25
Algeria National 87 1/2 %	200	97 1/2	0	0	90.5	102.50	+0.25
Algeria National 88 1/2 %	200	97 1/2	0	0	91.5	102.50	+0.25
Algeria National 89 1/2 %	200	97 1/2	0	0	92.5	102.50	+0.25
Algeria National 90 1/2 %	200	97 1/2	0	0	93.5	102.50	+0.25
Algeria National 91 1/2 %	200	97 1/2	0	0	94.5	102.50	+0.25
Algeria National 92 1/2 %	200	97 1/2	0	0	95.5	102.50	+0.25
Algeria National 93 1/2 %	200	97 1/2	0	0	96.5	102.50	+0.25
Algeria National 94 1/2 %	200	97 1/2	0	0	97.5	102.50	+0.25
Algeria National 95 1/2 %	200	97 1/2	0	0	98.5	102.50	+0.25
Algeria National 96 1/2 %	200	97 1/2	0	0	99.5	102.50	+0.25
Algeria National 97 1/2 %	200	97 1/2	0	0	100.5	102.50	+0.25
Algeria National 98 1/2 %	200	97 1/2	0	0	101.5	102.50	+0.25
Algeria National 99 1/2 %	200	97 1/2	0	0	102.5	102.50	+0.25
Algeria National 100 1/2 %	200	97 1/2	0	0	103.5	102.50	+0.25
Algeria National 101 1/2 %	200	97 1/2	0	0	104.5	102.50	+0.25
Algeria National 102 1/2 %	200	97 1/2	0	0	105.5	102.50	+0.25
Algeria National 103 1/2 %	200	97 1/2	0	0	106.5	102.50	+0.25
Algeria National 104 1/2 %	200	97 1/2	0	0	107.5	102.50	+0.25
Algeria National 105 1/2 %	200	97 1/2	0	0	108.5	102.50	+0.25
Algeria National 106 1/2 %	200	97 1/2	0	0	109.5	102.50	+0.25
Algeria National 107 1/2 %	200	97 1/2	0	0	110.5	102.50	+0.25
Algeria National 108 1/2 %	200	97 1/2	0	0	111.5	102.50	+0.25
Algeria National 109 1/2 %	200	97 1/2	0	0	112.5	102.50	+0.25
Algeria National 110 1/2 %	200	97 1/2	0	0	113.5	102.50	+0.25
Algeria National 111 1/2 %	200	97 1/2	0	0	114.5	102.50	+0.25
Algeria National 112 1/2 %	200	97 1/2	0	0	115.5	102.50	+0.25
Algeria National 113 1/2 %	200	97 1/2	0	0	116.5	102.50	+0.25
Algeria National 114 1/2 %	200	97 1/2	0	0	117.5	102.50	+0.25
Algeria National 115 1/2 %	200	97 1/2	0	0	118.5	102.50	+0.25
Algeria National 116 1/2 %	200	97 1/2	0	0	119.5	102.50	+0.25
Algeria National 117 1/2 %	200	97 1/2	0	0	120.5	102.50	+0.25
Algeria National 118 1/2 %	200	97 1/2	0	0	121.5	102.50	+0.25
Algeria National 119 1/2 %	200	97 1/2	0	0	122.5	102.50	+0.25
Algeria National 120 1/2 %	200	97 1/2	0	0	123.5	102.50	+0.25
Algeria National 121 1/2 %	200	97 1/2	0	0	124.5	102.50	+0.25
Algeria National 122 1/2 %	200	97 1/2	0	0	125.5	102.50	+0.25
Algeria National 123 1/2 %	200	97 1/2	0	0	126.5	102.50	+0.25
Algeria National 124 1/2 %	200	97 1/2	0	0	127.5	102.50	+0.25
Algeria National 125 1/2 %	200	97 1/2	0	0	128.5	102.50	+0.25
Algeria National 126 1/2 %	200	97 1/2	0	0	129.5	102.50	+0.25
Algeria National 127 1/2 %	200	97 1/2	0	0	130.5	102.50	+0.25
Algeria National 128 1/2 %	200	97 1/2	0	0	131.5	102.50	+0.25
Algeria National 129 1/2 %	200	97 1/2	0	0	132.5	102.50	+0.25
Algeria National 130 1/2 %	200	97 1/2	0	0	133.5	102.50	+0.25
Algeria National 131 1/2 %	200	97 1/2	0	0	134.5	102.50	+0.25
Algeria National 132 1/2 %	200	97 1/2	0	0	135.5	102.50	+0.25
Algeria National 133 1/2 %	200	97 1/2	0	0	136.5	102.50	+0.25
Algeria National 134 1/2 %	200	97 1/2	0	0	137.5	102.50	+0.25
Algeria National 135 1/2 %	200	97 1/2	0	0	138.5	102.50	+0.25
Algeria National 136 1/2 %	200	97 1/2	0	0	139.5	102.50	+0.25
Algeria National 137 1/2 %	200	97 1/2	0	0	140.5	102.50	+0.25
Algeria National 138 1/2 %	200	97 1/2	0	0	141.5	102.50	+0.25
Algeria National 139 1/2 %	200	97 1/2	0	0	142.5	102.50	+0.25
Algeria National 140 1/2 %	200	97 1/2	0	0	143.5	102.50	+0.25
Algeria National 141 1/2 %	200	97 1/2	0	0	144.5	102.50	+0.25
Algeria National 142 1/2 %	200	97 1/2	0	0	145.5	102.50	+0.25
Algeria National 143 1/2 %	200	97 1/2	0	0	146.5	102.50	+0.25
Algeria National 144 1/2 %	200	97 1/2	0	0	147.5	102.50	+0.25
Algeria National 145 1/2 %	200	97 1/2	0	0	148.5	102.50	+0.25
Algeria National 146 1/2 %	200	97 1/2	0	0	149.5	102.50	+0.25
Algeria National 147 1/2 %	200	97 1/2	0	0	150.5	102.50	+0.25
Algeria National 148 1/2 %	200	97 1/2	0	0	151.5	102.50	+0.25
Algeria National 149 1/2 %	200	97 1/2	0	0	152.5	102.50	+0.25
Algeria National 150 1/2 %	200	97 1/2	0	0	153.5	102.50	+0.25
Algeria National 151 1/2 %	200	97 1/2	0	0	154.5	102.50	+0.25
Algeria National 152 1/2 %	200	97 1/2	0	0	155.5	102.50	+0.25
Algeria National 153 1/2 %	200	97 1/2	0	0	156.5	102.50	+0.25
Algeria National 154 1/2 %	200	97 1/2	0	0	157.5	102.50	+0.25
Algeria National 155 1/2 %	200	97 1/2	0	0	158.5	102.50	+0.25
Algeria National 156 1/2 %	200	97 1/2	0	0	159.5	102.50	+0.25
Algeria National 157 1/2 %	200	97 1/2	0	0</			

UK COMPANY NEWS

City expectations met with £1.12bn halfway

British Telecom advances by 11%

British Telecom yesterday reported an 11.3 per cent increase in pre-tax profits, from £1bn to £1.12bn for the half year ended September 30. This was at the upper end of City expectations. Second quarter profits showed a 10.9 per cent advance to £550m.

The interim dividend is being stepped up by 11.9 per cent to 3.75p (3.85p), to be paid from higher earnings of 11.5p (10.2p) per share. Mr Iain Vallance, the chairman, said the payment took into account prospects for the full year. The directors were committed to improving the service and continuing the network modernisation. Despite the short-term costs they were confident of continued progress.

Turnover for the half year advanced by 7.4 per cent to \$4.95bn (\$4.61bn) with rental income up by 8.9 per cent to \$1.64bn. There was an exceptional growth in business lines, with a record number being

installed in the second quarter. This reflected in part the buoyant demand in most areas of the country, and in part the company's effort to reduce order backlog, directors said.

Telephone call income, at \$2.63bn, was 8.5 per cent ahead of the corresponding period, while telex income was lower at \$180m (\$187m). Sales and other operating income improved from \$456m to \$501m. Total turnover included \$324m (\$308m) from overseas telecommunication operators.

Operating costs of \$3.7bn (\$3.47bn) included \$15m set aside for BT's employee profit sharing scheme to be operated next June when full-year results are announced. Mr Graeme Odgers, group managing director, said he hoped the company's performance then would justify making a further amount available. The board did not operate the scheme in 1986-87 because of industrial action by its engi-

neers. Mr Odgers said BT would not begin to reduce numbers in its core business until towards the end of the next financial year, because the company was committed to improving its service. Staff numbers increased by about 400 in the last six months. He added that the company's quality of service was now back to the level existing before the strike, but BT was determined to improve it further.

There were improved results this time from subsidiaries, and Cellnet, the group's cellular telephone service, was now trading profitably. The pre-tax result was after interest charges little changed at \$136m (\$136m). Tax was \$408m (\$366m) and minorities took \$22m (\$20m).

Mr Odgers later said that BT expected to make a decision within the next six months on plans to introduce a charge for using its directory inquiries service which cost BT \$160m a year.



Iain Vallance... committed to improving service and was being weighed down by an extra 150,000 calls a day, mainly from the business sector. See Lex

BAe plans move into building business

By Richard Tomlin

British Aerospace, aircraft manufacturer and defence industry group, yesterday announced a move into the construction business when it revealed that it was negotiating to buy Ballast Nedam Group, one of the biggest construction groups in the Netherlands.

If agreed, the move will allow BAe to accompany its sale of military hardware with airfield support systems such as barracks, training quarters, military hospitals and hangars.

The move has been prompted by the massive \$50m contract which BAe has won to supply Saudi Arabia with 72 F-16 fighter jets. The project, called Al Yamamah, provides for training aircraft, advanced weaponry and a wide range of support services to be included in the contract.

But Mr Bernard Friend, BAe's finance director, said this was not the only reason for the proposed acquisition.

"The trend these days is towards providing not just planes and missiles, but also the support services that go with them. We feel we will stand a very much better chance in the world's defence markets if we can take on this sort of activity."

Ballast Nedam is based in Amsterdam and has a substantial presence in the Dutch construction market, but it is also highly active in the Middle East and in particular Saudi Arabia. It recently completed the causeway between Saudi Arabia and Bahrain.

The company is more than 90 per cent owned by Kinga Hogeweg, a Dutch woman wholly owned by Wedge International, an investment group of Lebanese origin with extensive interests in Europe and the US.

Ballast Nedam had turnover in 1986 of FL1.67bn (about \$600m) and its construction activities produced a profit of nearly FL12m, but dropping activities - now significantly curtailed - and other extraordinary write-offs took FL250m leaving a net loss of FL121m.

Mr Bernard Friend, BAe's finance director, said yesterday that the purchase price had yet to be agreed but Ballast Nedam's book value of FL160m was likely to provide a guide.

ICF's \$5m acquisition

By Heather Fernhouse

ICI is buying the cereal breeding and wholesale cereal operations of ICMG, a subsidiary of the Swedish sugar beet seed company, Hilsenhof, part of the Volvo group. It is believed to be paying about \$5m for ICMG.

ICMG's activities cover substantial programmes in wheat and barley breeding. ICI intends to expand these programmes supported by its bio-technology research resources.

Earlier this week, ICI lost out to Unilever in an attempt to buy the Plant Breeding Institute when it was privatised. ICI's plant breeding business is the second largest in the UK.

On November 12, 1987, the Board of Directors of Cellular Communications, Inc. ("CCI") declared a dividend of one Right on each outstanding share of CCI Common Stock payable on December 7, 1987 to shareholders of record on that date.

Each Right entitles shareholders to buy one one-hundredth of one share of CCI Series A Junior Participating Preferred Stock, \$100 par value per share, at an exercise price per one one-hundredth share of \$80.00. The Rights will not be exercisable, however, and no conditions notwithstanding the Rights will be distributed to shareholders, until a person or group acquires 20% or more of CCI's Common Stock or makes a tender or exchange offer for 30% or more of the Common Stock, as in more fully described in the Rights Agreement.

The Rights will be issued in support of all shares of Common Stock issued after December 7, 1987 but prior to the earlier of December 7, 1989 or the date on which the Rights become exercisable. The Rights expire on December 7, 1989 and are redeemable by CCI in certain circumstances prior to such date for \$0.05 per Right. The terms of the Rights are set forth in the Rights Agreement, a copy of which is available for inspection at CCI's principal office.

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November 17, 1987

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Strong all-round demand boosts BPB to £90m

BY FIONA THOMPSON

STRONG DEMAND for plasterboard from both the housebuilding and commercial sectors helped BPB Industries, Slough-based building materials group, push half year profits ahead by 31 per cent.

The pre-tax figure advanced to £90.9m from £69.3m for the six months to September 30, on turnover up 20 per cent at £365.6m, against £305.7m last time.

"Demand for our products throughout western Europe, including the UK and Ireland, rose by 7 to 10 per cent on last year," said Mr Bryan Hogben, finance director.

Tax took £35.2m (£28.8m). Earnings per share rose to 13.8p from an adjusted 11.1p. An interim dividend of 3p (£2.50p) was declared.

BPB cases Redland seriously, said Mr Hogben. He would not discuss the possible impact on price policies, but stressed BPB would not sit back and cede market share.

Gypsum products accounted

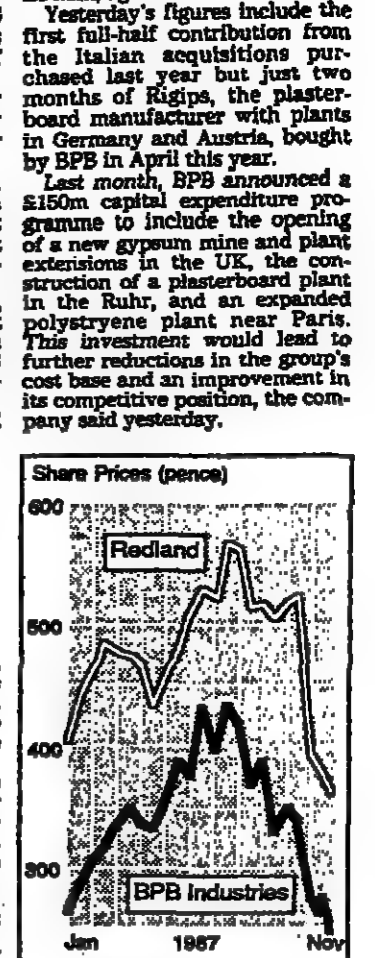
for the vast majority, between 80 per cent and 90 per cent, of the £69.4m (£63.5m) contribution made by building materials to BPB's total operating profits of £83.5m (£65.1m). Paper and packaging made a much smaller £14.1m, against £11.8m.

Yesterday's figures include the first full-half contribution from the Italian acquisitions purchased last year but just two months of Rigips, the plasterboard manufacturer with plants in Germany and Austria, bought by BPB in April this year.

Last month, BPB announced a £150m capital expenditure programme to include the opening of a new gypsum mine and plant extensions in the UK, the construction of a plasterboard plant in the Ruhr, and an expanded polystyrene plant near Paris.

This investment would lead to further reductions in the group's cost base and an improvement in its competitive position, the company said yesterday.

Share Prices (pence)



Redland advances 35% to pass £75m

BY FIONA THOMPSON

BUOYANT trading conditions resulted in profits 35 per cent ahead at Redland, Surrey-based brick and roofing tile manufacturer, for the half year to September 26. Pre-tax profits rose from £58.6m to £79.5m on turnover 21 per cent stronger at £760.9m, compared with £628.3m last year.

"All three UK divisions, roof tiles, aggregates and bricks, did well," said Mr Robert Napier, managing director, "the roof tile business in particular."

"Overseas, the Holland subsidiary produced an excellent profit. In Germany, sales were affected by bad weather but the result was good, and the first time contribution from Genstar, the US operation, was better than expected."

Mr Napier was very bullish about Redland's bid to challenge BPB Industries' monopoly of the UK plasterboard market.

"It is a growth market, that is the key point. Customers in the UK, he said, looking towards a second supplier. We aim to become a significant

player, supplying a full range, not just plain plasterboard. We have plans to build a first, then another, plant to allow us to serve 25 to 30 per cent of the market."

Mr Napier said he expected the market to grow by about 5 per cent per annum. In addition, "we clearly hope we will gain market share from BPB. But we are going in to this market to make money, not fight market share."

Redland, he stressed, "does not intend to start a price war."

Of total operating profits of £81.9m (£71.8m), the UK contributed £44.5m, compared with £35.7m; overseas subsidiaries made £31.5m (£15.5m); and group share of associates accounted for £5.9m (£10.6m). Sales were: UK, £344.1m (£273.9m); overseas subsidiaries, £229m (£157.2m) and associates, £157.2m (£151.9m).

Trading conditions were expected to remain buoyant in the UK, he said, looking towards the full year. The October hurricane had resulted in a consider-

able increase in sales of roof tiles and supplies for roof repairs. In continental Europe and the US, the short-term outlook was favourable and prospects were improving in Australia.

Interest payable amounted to £6.6m, against £16.7m paid last year. The tax charge was £20.5m, against £16.7m. Minorities accounted for £3.4m (£3.5m). Earnings per share rose to 15.8p from 16p. An interim dividend of 5p (4.3p) was declared. See Lex

Chairman's departure prompts unitisation of Ailsa Trust

BY MIKE TAIT

THE DECISION by Mr David Montagu, to become chairman of Rothmans International, could mean an early demise for Ailsa Investment Trust, £70m fund managed by J.Rothschild.

Ailsa's board is considering proposals which would involve the fund's liquidation and the transfer of its assets to a new unit trust. Under the unitisation scheme, the new fund would be managed by Bishopsgate Progressive Unit Trust Management,

a wholly-owned J.Rothschild subsidiary, and would be called Bishopsgate Special Situations Unit Trust.

Since 1981 Ailsa has been chaired and managed by Mr Montagu, who is a former chairman of Samuel Montagu, merchant bank, and Orion Bank. On his appointment, Ailsa was increased by an issue of new shares, its investment policy redirected towards recovery stocks and special situations, and wind-up date of not later than 1990 attached.

Yesterday J.Rothschild said that given the combination of the wind-up date and Mr Montagu's close involvement, it was thought sensible to unitise. The fund managers estimate that net asset value of the trust has tripled during Mr Montagu's period of control. Ahead of Black Monday, the figures showed a quadrupling.

Mr Montagu, who has been a director of Bishopsgate Progressive since November 1982, plans to remain on the board.

Property sales lift Morland

WITH THE help of £887,000 profit on property disposals, Morland & Co. lifted its pre-tax balance from £2.51m to £3.8m in the year ended September 30 1987, an advance of 35 per cent.

On the trading side this brewing group, which operates in the upper Thames Valley, raised turnover 7 per cent to £18.8m and profit by nearly 14 per cent to £2.96m.

The summer was not helpful but overall beer volumes were slightly ahead of the national average, and larger sales continued to grow to an extent which fully justified increased production expenditure. Good increases were also recorded in wine and soft drink sales.

Figures included two months from Bell Amusements, the amusement machine operating organisation acquired recently. That was well up to expectation and Bell should make a substantial contribution in the current year.

It was decided to take property profits above the line, and the 1986-87 figures were adjusted accordingly - profits then were £206,000.

Earnings shot up to 25.8p (23.6p) per share, after tax of £959,000 (£821,000). The final dividend is 5.4p for a total of 7.9p (7p).

ICF's \$5m acquisition

By Heather Fernhouse

ICI is buying the cereal breeding and wholesale cereal operations of ICMG, a subsidiary of the Swedish sugar beet seed company, Hilsenhof, part of the Volvo group. It is believed to be paying about \$5m for ICMG.

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November 17, 1987

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Century Oils up to £2.8m

BY LUCY KELLAWAY

Century Oils, specialist lubricants manufacturer, yesterday announced a 13 per cent increase in pre-tax profits to £2.8m in the six months to September, and said it expected to maintain the momentum for the rest of the year.

The results reflect volume growth of 10 per cent, most of which was concentrated in overseas markets.

The company said much of the improvement had been offset by

the effects of lower oil prices on finished products.

Profits were further depressed by delays in getting the benefit of recent large investments in new production units in the UK and the US. The units, both now fully operational, were beginning to realise their potential, the company said.

The interest charge for the quarter rose to \$987,000 from \$821,000. The full year will be lower to reflect the recent \$11m

rights issue, and working capital reductions.

Turnover for the year was \$46.7m, compared with \$44.6m in the first six months of last year, while profit after tax rose to \$1.9m from \$1.7m. The interim dividend has been increased to 1.75p compared to 1.6p.

Profit figures for both periods have been restated to reflect a change from year to date and average exchange rates for the group's overseas subsidiaries.



"Great confidence in the Group's further progress"

INTERIM REPORT

for the Half year ended 2nd October 1987

	26 Weeks to 2nd October 1987 £'000	27 Weeks to 2nd October 1986 £'000
Turnover	203,393	36,863
Profit on ordinary activities before tax	13,299	4,507
Earnings per share	5.33p	3.55p
Interim dividend per ordinary share	0.6p	0.4p

HIGHLIGHTS FROM THE CHAIRMAN'S STATEMENT

- Tripling of pre-tax profits to £13.3 million.
- 50% increase in earnings per share in spite of substantially increased tax charge.
- Acquisition of Stone International and merger with Babcock International successfully completed.
- 50% increase in interim dividend.

"The completion of the rationalisation and return to profit of Stone in such a short time and the immediate and comprehensive action we have taken in the Babcock companies give me great confidence in the Group's further progress. The rights issue in September means that the Group's gearing will be well under control even after all rationalisation costs have been met, leaving us well placed for future growth. I look forward with confidence to a prosperous future for your company."

Lord King of Wartnaby,
Chairman

FKI BABCOCK PLC
Stoney Royd, Halifax, HX3 9HP

TSB Channel Islands tops £6m mark

TSB Channel Islands, separately-listed company within the TSB group, reported profits of £6.1m before tax in the 46-week period up to October 31. Adjusted for 53 weeks, this represents a 17 per cent rise over £5.2m earned the previous year.

The group, quoted on the USM, changed its year-end from November 30 to October 31.

The gross dividend is being increased by 10.2 per cent to a total of 5.4p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Authority Item	2.8p	Dec 31	2.8p	-	2.8p
BPB Industries	5p	Jan 22	2.5p	-	2.5p
British Telecom	2.75p	Feb 15	2.38p	-	2.38p
CCA Galleries	0.9p	Jan 29	0.8p	-	0.8p
Century Oils	1.75p	Jan 29	1.5p	-	1.5p
Dawson Int'l	2.4p	Jan 18	2.1p	-	2.1p
FXI Babcock	0.4p	Jan 15	0.7p	-	0.7p
Hill Brynmor	0.7p	Jan 15	0.7p	-	0.7p
Larry Int'l	2.5p	Feb 26	-	-	-
Marston Thompson	0.65p	June 26	0.78p	-	0.78p
Monogate Merv	0.65p	June 26	0.78p	-	0.78p
Morland	5.4p	Jan 26	4.75p	-	4.75p
Penny & Giles	0.88p	Jan 26	0.76p	-	0.76p
Redland	5p	Jan 26	4.35p	-	4.35p
Rothmans Int'l	5p	Jan 26	2.5p	-	2.5p

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issues. *On capital increased by rights and/or acquisition issues. †USM stock. ‡Unquoted stock. Third market.



Interim Report

Audited YEAR 1986/87 £'000	Turnover	Unaudited HALF-YEAR 1987 £'000	Unaudited HALF-YEAR 1986 £'000
518,708	Turnover	187,404	183,756
46,229	Operating Profit	26,462	22,026
2,056	Interest payable	1,422	1,297
44,173	Profit on Ordinary Activities before taxation	25,040	20,729
15,304	Taxation	8,420	7,237
28,869	Profit on Ordinary Activities after taxation	16,620	13,492
28,869	Minority interest	47	-
1,242	Extraordinary item after taxation	16,667	13,492
27,627	Profit for the half-year	16,667	12,317
11,002	Dividends	5,282	4,032
16,625	Profit retained	11,385	8,285
15.8p	Earnings per Ordinary Share	8.7p	7.4p

Pretax profit up by 21 per cent

Interim dividend up to 2.5p

Over 70 redevelopments planned for second half

The figures for the year ended 31st March 1987 have been extracted from the full accounts which have now been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified.

Copies of the full Interim Report may be obtained from the Secretary, Magnet PLC, Royd Ings Avenue, Keighley, W. Yorks. BD21 4BY. Tel: (0535) 661133

UK COMPANY NEWS

FKI Babcock surges past
£13m marker at halfway

BY CLAY HARTING

FKI Babcock, electrical manufacturer and heavy engineering contractor, yesterday reported nearly a trebling in interim pre-tax profits to £18.3m, its first results since FKI Electricals completed the takeover of Babcock International and Stone International.

The advance in the 26 weeks to October 2, from £4.5m in the one-week-longer comparable period, was achieved on turnover 8½ times higher at £208.4m (£38.9m). The interim dividend is increased by 50 per cent to 0.6p (0.4p).

The original FKI businesses contributed pre-tax profits of about £3.3m, an 84 per cent increase, while 2½ months of Stone accounted for £1.5m and one month of Babcock for £3.5m. Costs of the rationalisation underway at Babcock, like that now completed at Stone, will be reflected in the group's profit and loss account. FKI has created a provision of up to £100m to be taken against the share premium created through the issue of shares for the Babcock takeover.

The programme, which FKI plans to complete at least one month before the end of its financial year, involves the loss



Tony Gartland: Explained recent share price weakness

of 4,000 jobs and the saving of £55m in annual costs (of which £15m represents a reduction in capacity). Achieving the £50m net saving would cost an equivalent amount. Provisions of another £50m to £50m had been created in respect of contracts which could give rise to claims, in particular for ship-unloader orders for Babcock's Moxey subsidiary.

The company was cutting central costs from £3m to £2m by closing Babcock's and Stone's headquarters (in London and Crawley respectively) and concentrating financial and administrative functions in Halifax.

Mr Jeff Whalley, managing director, said that if Babcock's power generation side got only half of the orders it might soon expect, it would have an order book of £1.2bn to £1.5bn over the next five years.

Mr Tony Gartland, chief executive, attributed recent weakness in the FKI Babcock share price to three factors: the overhang from underwriting institutions which had been landed with shares they didn't want; sales by smaller company funds now that FKI was too large; and sales by income funds which had held Babcock because of its yield.

After an estimated first-half share change more than 10 times higher at £2.9m (£261,000), payments of £325,000 (nil) to minorities, and an extraordinary dividend of £140,000 (£451,000 credit), attributable profit was £9.94m (£4.7m). Earnings per share rose by 50 per cent to 3.33p (3.55p).

See Lex

Imry Intl.
in sharp
turnaround
with £2.8m
midtermBy Paul Chesworth
Property Correspondent

Imry International, the property group formed last January when Arbutnot Properties reversed into the quoted Imry Property, yesterday announced a sharp turnaround in half year profits.

Pre-tax earnings for the six months to September were £2.84m compared with a loss of \$549,000 for the same period of 1986. This comparative figure was made up of the combined figures of the former Imry and Arbutnot companies.

The results helped to hold the Imry share price steady at 365p in a generally dull property sector.

Shareholders are to receive an interim dividend of 2.5p. At this time last year a special interim dividend of 3.7p was paid.

The figures were accompanied by the disclosure that Imry was arranging with Barclays and National Westminster a £75m medium-term multi-currency syndicated facility.

Mr David Davies, chairman, said that about £30m would be used to refinance short-term debt. The last annual report showed that Imry had debenture loans of £5.3m and bank loans and overdrafts of £24.88m all falling due within one year.

The balance of the new facility, Mr Davies said, would be used to fund acquisitions.

So far this year Imry has acquired two industrial estates in addition to retail and office properties, in line with the broad strategy of using the former Imry Property holdings as an asset base but at the same time building up an investment and trading arm to the business.

Key future developments include the St George's Hospital site on Elye Park Corner in the West End of London, where the group is seeking to sell down planning permission, and The Shires shopping centre in Leicester, for which detailed planning consent has been granted.

Imry's turnover in the first half was £25.62m compared with £31.9m for the whole of the 1986-87 year, indicating an acceleration of activity and the growth of rental income in the light of rent reviews in a buoyant market.

Cost reduction and efficiency
boost Rothmans tobacco side

BY HEATHER FARMERHUGH

DESPITE declining tobacco markets in much of the developed world, Rothmans International pleased the City with its interim results.

Pre-tax profits rose by 89 per cent from £73.8m to £140m on turnover 8 per cent higher at £670.6m.

The strong performance of the tobacco operations was due to cost reductions and increased efficiency, particularly in the European operations.

But market conditions affecting many of the group's subsidiaries show few signs of improving. Volumes fell in New Zealand, Singapore and Canada because of heavy taxation and other adverse factors.

Nevertheless, the tobacco division reported a 78 per cent increase in pre-interest operating profits from £77.6m to £138.3m. Luxury consumer products showed an advance of 53 per cent from £20.5m to £31.3m for the six months to 30 September 1987.

Rothmans' net cash of £393.6m, an increase of some £70m since March 31 1987, due

to a further reduction in working capital and increased funds from profits, and boosted by proceeds from the disposals of Carling O'Keefe and Rowenta last year for £93.6m and £20m respectively.

This helped turn the net interest charge into a credit of £11.8m income for the half year. Rothman's tax rate fell from 46 per cent to 44 per cent to leave the tax charge at £62.1m.

The interim dividend is 8p (2.5p). Earnings per share were 20p (9.5p).

Luxury consumer products continued to perform well. Underlying profit before tax at Dunhill rose by 28 per cent. Cartier's jewellery sales were strong, particularly in the Far East and US. Sales of perfume advanced following the launch of the Panthere range.

The group is looking for suitable acquisitions. However, Mr Malcolm Thompson, finance director, said: "We are biding our time. We do have established criteria, and would be most happy with acquisitions in the

branded goods area, ideally at the premium end."

Rationalisation charges of £7m were provided for, compared with £5m last year, from cuts in capacity mainly in Singapore, Canada and the Republic of Ireland. Mr Thompson said he doubted whether future rationalisation would be to the same extent.

Mr David Montagu will succeed Mr Crichton Brown as chairman upon the latter's retirement at the end of 1989.

comment

Deterred by taxes which account for 75 per cent of the price of a packet of cigarettes, advertising restrictions and health fears, the developed world tobacco market is static. So Rothmans' profits leap is all the more impressive, marking the group's transformation from a loose collection of companies into a streamlined whole. With constant speculation provided by outside shareholders, the share price will be converted into United Kingdom currency will be 28 December 1987, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or offices of the London Secretaries of the company. Warrants in payment of the dividend will be posted on or about 22 January 1988. The transfer books and registers of members of the companies will be closed from 19 to 24 December 1987, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

Holographics shares fall
in wake of £8m rights

BY RICHARD TOMKINS

SHARES in Applied Holographics, USM-quoted hologram manufacturer, fell from 86p to 83p yesterday after it announced an £8.2m cash call on its shareholders.

The company is to raise the sum through a one-for-four rights issue of new ordinary shares at 30p each. The issue is fully underwritten by Alexander Leung & Crickbank and Chase Investment Bank.

Applied Holographics was set up in 1983 to exploit the then newly-discovered hologram technology, but has yet to report a profit. In the year to March 1987 it reported turnover up from

\$484,000 to £1.3m, but pre-tax losses rose from \$669,000 to \$823,000.

The company said yesterday that it regarded itself as a leader in the field of mass production holographics and it firmly believed the market was set to expand. The rights issue had been proposed to maintain its leadership position.

Projects to be undertaken include the setting up of a new marketing group and the expansion of the sales force in the UK and overseas, and the development of a multi-channel holographic reproduction system for specialist hologram production.

Hill Ergonom downturn

A SLOW start to sales helped reduce profits of Hill Ergonomics, maker and distributor of footwear, from £328,000 to £156,000 pre-tax in the six months ending September 30 1987.

Turnover for the USM-quoted international contract furniture group was down from £4.38m to £5.75m.

The interim dividend is being held at 0.7p but earnings per 10p share dropped to 0.9p (3.24p) after tax of \$55,000 (£134,000).

Mr Anthony White, chairman, said that while sales in the first half started slowly, there had

been a marked improvement during the last few months which was now reflected in the current order book.

This, together with a changing balance in the business between imported and own-manufactured products and a more even spread of sales between office, sports and leisure and public sector products had broadened and strengthened the company's trading prospects.

The board anticipated a significant improvement in the second half.

Headlam Sims progress

Headlam, Sims & Coggins, maker and distributor of footwear, lifted taxable profits from £21,000 to £103,000 in the six months to July 31. The directors said that they hoped to recommend the payment of a final dividend.

Turnover moved up slightly from £3.27m to £3.38m. After tax of £25,000 (£6,000) earnings per 5p ordinary share rose sharply from 0.34p to 1.87p.

The directors said that they were continuing to look at possible acquisitions.

ANGLOVAAL GROUP

DECLARATION OF INTERIM DIVIDENDS—
YEAR ENDING 30 JUNE 1988

Dividends have been declared payable to holders of shares as indicated, registered in the books of the undermentioned companies at the close of business on 18 December 1987. The dividends have been declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 28 December 1987, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or offices of the London Secretaries of the companies. Warrants in payment of the dividend will be posted on or about 22 January 1988. The transfer books and registers of members of the companies will be closed from 19 to 24 December 1987, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

Name of Company	Class of Share	No.	Cents per share	Interim dividend declared 1987
Anglovaal Limited Reg. No. 0504580005	Ord. & A' Ord.	84	220	196
Anglovaal Limited (Note 1) Reg. No. 0504580006	Part. Priv.	67	115	102.5
Eastern Transvaal Consolidated Mines Limited Reg. No. 016842020	Ord.	75	128	125
Harbourside Investments Gold Mining Company Limited Reg. No. 053322006	Ord.	64	62.5	60

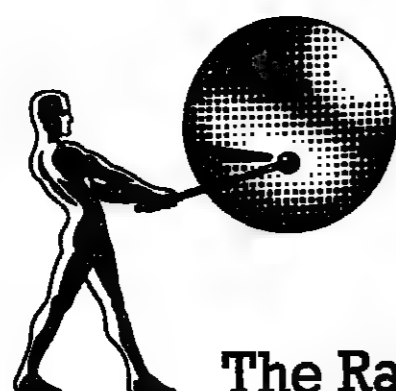
1. Being 5 cents in respect of the fixed rate of 5% per annum for the half-year ending 31 December 1987 and 10 cents being a 50% participation in the interim dividend of 220 cents declared on the ordinary and 'A' ordinary shares.

By Order of the Board
ANGLOVAAL LIMITED
Secretaries
per: E.G.D. Gordon

London Secretaries
Anglo-Transvaal Trustees Limited
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UK COMPANY NEWS

Marston Thompson rises to £6.6m

Marston Thompson & Everard, the Burton-on-Trent brewer, has reported an increase from £5.87m to £6.62m in pre-tax profits for the six months to September 26 on turnover of £10.5m against £9.75m. Trading profit was £5.98m compared with £5.77m.

The directors said that trading results will continue to be dull until the volume declines is arrested and the company begins to see the results of further refurbishment schemes.

Much of the increased profit is accounted for by the surplus on sale of retail properties - £315,000 (£265,000) - and net interest receivable of £221,000 (£20,000).

These improvements are a result of a continuation of the programme of disposing of non-viable public houses, and have given rise to a considerable increase in liquid funds, which are being actively re-invested into more profitable parts of the company's estate.

Volumes followed almost directly the weather pattern, the directors added, and while they were good in the late spring, they have been disappointing since, although sales of 'Pedigree' have continued to increase in the free trade.

The company is continuing to improve and refurbish its estate, and is particularly pleased with the managed house results, which show significantly higher profits.

Tax took £2.2m (£1.98m) leaving earnings per 25p share 0.55p (4.46p). The interim dividend is raised from 0.75p to 0.85p.

Authority Invs. profits more than trebled

A surge in banking services' profit from £25,000 to £510,000 enabled Authority Investments to achieve more than trebled pre-tax figures of £1.38m for the half year to October 31, 1987, compared with £446,000 last time.

Reflecting its successful reorganisation, Authority is paying an interim dividend of 2.5p - the first in 18 years. Earnings per 25p share were 12.50p (7.75p) basic or 12.04p (7.75p) fully diluted.

Mr David Backhouse, chairman, said the company stood to benefit from any fall in interest rates and provided there was no serious deterioration in the value of its residential property portfolio, he anticipated greatly improved results for the year.

In May, the company completed a one-for-two rights issue and the acquisition of 51 per cent of City Management.

Pre-tax profits from property and investments grew from £450,000 to £510,000, after reduced interest charges of £1.2m (£1.5m). Turnover was £9.76m (£12.6m).

WEAK DOLLAR AND HIGH RAW MATERIAL PRICES COULD DAMAGE PROSPECTS

All-round growth boosts Dawson

BY ALICE RAWSTHORN

Dawson International, Scottish textiles group, yesterday announced a 21 per cent increase in pre-tax profits to £19m for the first half of its financial year on turnover which rose by 6 per cent to £176.5m.

Mr Ronald Miller, chairman, said that all the businesses within the group had performed well. Yet he voiced his concern that the combination of the decline of the US dollar and escalating raw material prices could detract from future trading prospects.

Two years ago Dawson was "gummed" in its attempt to merge with Coats Patons, then a fellow Scottish textiles company, when Ventona Virella mounted a successful counter bid. Next Tuesday Dawson will begin legal proceedings against Coats Patons and two of its directors, Mr James McAdam and Mr Michael Bell. It intends to sue for £5m to cover the costs of its bid.

Dawson's core business, the manufacture and marketing of luxury knitwear, was dogged by static demand in the interim

period. Sales within West Germany and Spain were healthy. But the UK market - which recently recovered from a period of retail destocking - suffered from retailers' reluctance about building up stocks.

The weakness of the US dollar could affect the group's prospects in the US knitwear market, which traditionally provides 5 per cent of sales. Dawson hopes to counter the effects of adverse exchange rates by redirecting its US range towards more expensive, less price-sensitive market niches.

The recent rise in the price of wool is another cause for concern, as is the increased cost and threatened shortage of cashmere. Mr Miller said that the group plans to compensate through increased efficiency and new initiatives.

Dawson's spinning and raw material processing companies benefited from buoyant demand, as did the thermal underwear and shawls certain companies in the US.



Ronald Miller: Dawsons about dollar's decline

(£5.5p) in the six months to September 30. The board proposes to pay an interim dividend of 2.4p (2.1p).

● comment

Yet again Dawson has been plunged into problems through no fault of its own. As if the combination of a dwindling dollar and soaring raw material prices were not enough, it faces the threat of a fall in consumer demand. It would be foolish to overstate the effects of the dollar's decline on direct sales to the US given that currencies are hedged and Dawson is sensibly steering its products into a less price-sensitive niche. But the exchange rate could deal a double blow by depressing the US tourist, who usually snags up luxury knitwear as souvenirs, from holidaying in Europe. Moreover the rise in raw material prices - coupled with the escalation of cashmere supplies from China - poses a prickly problem. The City seems confident that Dawson will emerge unscathed this year, with profits rising to £25m and earnings per share to 22p. In the past it has proved remarkably resilient at weathering storms. Perhaps it can do so again.

CCA to double in size with £5.3m acquisitions

TWO SUBSTANTIAL acquisitions for initial consideration totalling £5.25m were announced yesterday by CCA Galleries, USM quoted retailer of prints, paintings and sculptures. The company's shares were suspended earlier in the day pending the announcement.

CCA also announced its interim results showing pre-tax profits down from £229,000 to £203,000 for the six months to end-June on turnover of £2.41m (£1.99m).

The company has conditionally agreed to acquire Henry and Son (London), a publisher of greeting cards and associated products, for an initial consideration of £3.75m, satisfied by the issue of 1.8m new CCA shares at 125p each and the payment of £1.7m in cash. Deferred consideration of up to £2m is dependent on the level of pre-tax profit achieved by Ling in 1987.

CCA also has a conditional option to acquire Alan Hutchinson Publishing, a publisher of diaries and address books, for an initial £1.5m to be satisfied by the issue of 1.2m new ordinary shares at 125p. A maximum deferred consideration of £1.65m depends on profits for 1988.

To satisfy the cash element of the consideration for Ling, and to provide additional working capital for the enlarged group, CCA directors have arranged for Morgan Grenfell to offer 4.12m new shares to qualifying holders

at 125p each. Qualifying shareholders may apply for any number of new CCA shares. Pro rata entitlements are one new CCA share for every existing ordinary share.

Mr Charles Farrell, chairman, said that by the time of the announcement of the final results for 1987 the company would have been transformed into a broadly-based fine art group, more than doubled in size. Commenting on the interim results, Mr Farrell said 1987 still had an important trading period to go and good growth had been seen in all sectors of the UK market.

Tax took £73,000 (£59,000) leaving earnings unchanged at 3.3p per 10p share. The interim dividend is increased from 0.5p to 0.9p.

Penny & Giles 38% midway rise

PROGRESS HAS continued at Penny & Giles International. The first half has seen pre-tax profits rise by 38 per cent, from £581,000 to £799,000.

The directors of this maker of electronic instrumentation for the aerospace and other industries said both UK and export orders served to confirm their opinion with respect to continuing the established pattern of growth.

They expressed confidence in prospects for the foreseeable

Tricentrol reduces third quarter losses to £2.1m

HIGHER OIL prices helped reduce the third-quarter loss at Tricentrol, oil producer, to £2.1m in the three months to September compared with £5.8m for the corresponding period last year. Over the first nine months, losses dropped from £9.6m to £4.2m.

The improvement was despite a Thistle Field maintenance shut-in over two weeks in July which helped reduce third quarter production to 700m barrels of oil equivalent (322m). Turnover increased from \$4.8m to \$7.4m and loss per share was reduced to 2.2p (4.7p).

The directors said that negotiations to arrange finance for the development of the company's gas fields and Wynch Farm were continuing satisfactorily. The

post-tax loss of \$2m for the third quarter, while an improvement on the corresponding \$4.4m, reflected the Thistle Field maintenance shut-in.

The average price obtained by the company for oil from its working interests during the quarter was \$12.12 per barrel compared with \$6.74 per barrel in the corresponding period. There was a gross profit of \$2m (\$2.1m loss). Net interest charges amounted to \$3.4m (\$3.8m). Petroleum revenue tax came to \$100,000 (nil) and there was a reduced corporate tax credit of \$200,000 (\$1.4m).

Moorgate Mercant.

Profits of Moorgate Mercantile Holdings, Sussex-based instalment credit finance and leasing company, rose from \$861,000 to \$1.2m over the six months ended September 30 1987.

Turnover expanded by \$5.8m to \$25.24m. Earnings worked through at 3p (2.13p) after tax of \$421,000 (£258,000). The interim dividend is raised by 0.3p to 0.9p.

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TECHNOLOGY

"WE AT customs will be prepared and ready for this new system; our concern is that some of the trade may not be. We are doing what we can to help, but if they are not prepared there will be difficulties."

So says Douglas Tweedie, assistant secretary at HM Customs and Excise about the major changes to international freight documentation which takes place on January 1, when the Single Administrative Document (SAD) will be introduced in Europe, along with the Harmonised System of commodity coding. The changes will affect 85 per cent of world trade.

Not all of the EEC countries are ready to switch over, however, and standards for the electronic exchange of documents, which could speed up processing, have not been formally adopted. Delays are therefore likely.

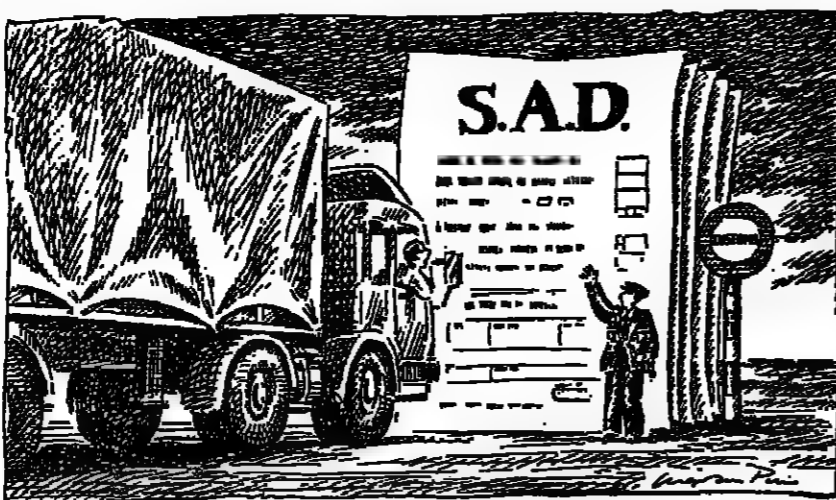
The eight-part SAD replaces up to 100 existing import and export documents within the Common Market and is, ironically, intended to simplify procedures. It can be filled in either by hand or by computer, but a combination of both will achieve the fastest throughput.

A paper SAD has to accompany all consignments, and cannot be sent on ahead as at present. But Customs and Excise, which now handles over 80 per cent of its processing by computer, could process the documentation necessary to clear cargoes through ports in advance using an electronic SAD.

Customs and Excise offices have been sending out information on the new tariff for about 18 months, and reckon to have covered up to 90 per cent of trade by volume, although there are about 70,000 registered import and export companies.

But the remaining 10 per cent and irregular importers are causing concern, particularly when export documents from the UK are used as import documents to others. If the new documentation is incorrect, there may well be queues of vessels waiting to land their cargoes and further hold-ups in road haulage.

Electronic Document Interchange (EDI) will therefore play a vital part in speeding up operations nationally and internationally. About 1,000 of the forwarding agents have computers, so they could use EDI networks to exchange information. Some will be prevented from doing so, however, because the final format of the electronic SAD has not been formally entered in the United Nations Data



Can EC trade avoid new year logjam?

Maggie McLening explains why simplified freight movement depends on customs systems harmony

Elements Directory (UNTD). Indeed, two of the three network suppliers are holding out on making this facility available until the format is in the directory.

The three EDI shipping networks are ASTI-Freightnet, the IBM Information Exchange service (formerly called Shipnet), and the ICL/Geisco joint venture, INS. The latter two have about 100 users who are members of the UK-EDI Association, while other companies have joined ASTI-Freightnet, a Swiss newcomer supplied in the UK by Freight Informatic Systems in Basildon.

IBM's view of SAD is that it will only be added to the network once it is in the UNTDED, so there will not be an electronic SAD on January 1, although users will still have electronic input to customs through the Department of Trade and Industry ports system.

ASTI-Freightnet, a worldwide networking service based on Telecom Gold and Telemail public electronics mail services, took the view that more urgent action was needed and entry into the UNTDED was a formality, according to Trevor Horton, managing

director of Freight Information Systems.

The company has worked closely with the Institute of Freight Forwarders and Customs and Excise to develop an electronic SAD for its 200 users to the EDI standards agreed but not yet published in UNTDED. ASTI's Trade-master PC software will generate import and export SADs automatically and forward them to all parties concerned, via the public network, and will do so by January 1.

"The UK is well ahead of the other European countries because the need for very thorough planning and training was perceived and carried out. We have been running seminars with SIT-PRO (Simplification of Trade Procedures board) and customs, and have produced a distance learning pack," says Jim White, director general of the Institute of Freight Forwarders (IFF), which has 640 trade company members and 4,000 professional members. "The state of play abroad is variable - some countries haven't even started thinking about it yet."

White's fears are confirmed by IFF members' contacts with their European

counterparts.

The Belgians and the Dutch claim to have got SAD up and running but the French are way behind, the Italians have hardly started and Spain and Portugal have not done anything at all," says Peter Farmer, managing director of the ABI Group, which depends upon European import/export activities for 70 per cent of its business.

The company will have to find out additional information currently handled by an overseas agent, such as VAT numbers and other European details, in advance, and complete SADs on the importer's behalf.

Jean-Marie Parasie, director general of Clecat, the European Federation of Freight Forwarders, predicts that the new system will not be fully operational until May. Greece and several other countries have been refused permission to delay implementation, Belgium is behind, The Netherlands plans to process SADs manually, and West Germany has agreed an alternative method of clearing imported goods at the end of their journey.

In Southern Europe, where there is a system of licensed customs brokers to handle imports, customs may not be ready for the change and some freight forwarders in Italy, Spain, Portugal and France are fundamentally opposed to it in any case.

French exporters in particular are reluctant to change since the system is likely to change again in 1992 when trade barriers between EEC countries are due to be finally removed.

SAD is an important step towards paperless trading, scheduled for 1992 by the UK Government White Paper on International Market Proposals for removing trade barriers between EEC countries. Progress has been much slower than expected for mainly political rather than technical reasons. The EC has identified 300 changes necessary for harmonisation, and so far taken action over only 130, avoiding those in the fiscal area, such as VAT and sales tax synchronisation.

Since over half of British trade is outside the European Community these decisions have to be evaluated in the context of world trade and may be further affected by the 14-digit Harmonised System of commodity codes, enabling the type of goods and their origin to be identified anywhere in the world. The SAD will become redundant once paperless trading arrives, but in the meantime seems set to cause confusion.

WORTH WATCHING



Edited by Geoffrey Charlish

IBM launches \$40m supercomputer plan

IBM HAS revealed that over the next two or three years it will be spending some \$40m in Europe in an initiative "aimed at fostering the advancement of supercomputing" in the academic research and educational worlds. The supercomputer market is currently dominated by Cray Research and Control Data of the US.

The plan is to provide free hardware and software to bring five European centres of advanced IBM computing up to supercomputing standard, by upgrading existing or new model 3090 machines to maximum power and versatility.

One of the centres will be in the UK, but the site has yet to be decided. All five will be linked by the European Academic Research Network which started as an IBM initiative in 1982.

A similar network already exists in the US, centred on Cornell University. There, massive computing problems ranging from mapping the Earth's crust to simulating black holes in space are carried out by 1,300 research scientists.

At the moment, IBM is under considerable pressure from a mainframe computer sales slowdown.

Supercomputing, mainly the province of the military and academe, is set to spread into commercial fields like banking. It is clear that IBM intends to play a bigger part than it has so far.

Insight into chase for superconductors

THE US market research organisation Technical Insights of Fort Lee, New Jersey, says it has identified 42 companies throughout the world that are doing important work in superconductivity.

In a new report called "Superconductivity: A Guide to the Corporate Players," Technical Insights describes the activities of the companies, which range from AT&T and IBM to little known start-up groups.

The report also lists the research people involved, with complete contact information. It costs \$295 in the US and \$390 outside the country.



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Deadly look of the helicopter gunner

HELICOPTER GUNNERY has reached the point at which in order to aim the gun, the gunner merely looks at the target.

The secret lies in his helmet, which carries a Ferranti sighting system linked to a gun turret developed for helicopters by Lucas Aerospace.

Using a reticule (cross-hair sighting device) built into the helmet and an associated sensor, Ferranti provides steering commands by measuring the orientation of the sensor to the helicopter within a reference magnetic field.

Then, the gun points wherever the gunner is sighting the cross hair. Almost instantaneous engagement can be provided within a wide field of view.

The system has already been demonstrated on a German BO106 helicopter. Further studies have been completed on the use of the idea for missile installations.

Full machining drill comes automatically

SWEDISH COMPANY Nikom of Saggsatan is offering an automated production system that can carry out drilling, threading, milling and sawing operations on round and rectangular sections of metal or wood. These pieces of material can be up to 1.5 metres long, and of the kind used to make windows, doors, furniture, computers and many other products.

The sections are first placed on a 1.5 metre feed table where they are automatically oriented and then gripped by a pusher rod which is driven by a powerful servo motor. This can move a section at 1.5 metres per second and place it in the machining unit with an accuracy of 0.1mm.

Down the length of the machining unit are arranged up to 10 drilling and threading devices, three milling units and one or two saws allowing various angles of cut, for example 45 deg or 90 deg.

Machining can be from all sides, at any angle and up to 60 different processes per part can be carried out. For pure sawing operations, the sections can be arranged in bundles to achieve high productivity.

The entire system is controlled by a 32-bit industrial computer with dedicated keyboard for rapid job programming.

Swedes are first to digital punch

SWEDISH TELECOM claims it is now operating "the industrial world's first nationwide digital telecommunications network."

The company says that from anywhere in Sweden a customer with a digital PABX (company exchange) can now be digitally linked to the telecoms network and transfer data at 64,000 bits/second three typed

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pages) per second. Domestic subscribers will notice that their connections are made more quickly.

The total investment over five years has been \$103.5bn, a good deal of which has been spent on 80 Ericsson AXE digital exchanges throughout the country, interconnected by coaxial cable, microwave links and optical fibre cable.

Compressing prices of aluminium parts

A COST-CUTTING aluminium component-making process, which is a combination of casting and pressing, is to be marketed in the UK and Scandinavia by a new company, Cobapress of Walsall.

The process allows cast aluminium parts to reach standards of performance comparable with forgings or iron castings. It consists of conventional casting in a mould, followed by final forming in a 1,000 tonne press at about 150 degrees C, using special press tools made at the same time as the casting mould.

The resulting parts have better dimensional tolerances and metallic structure than those produced by conventional methods. They have a high standard of surface finish, less final machining is needed and it is claimed that the components can withstand higher stress loads. The parts can be produced at prices that are 50 per cent less than forgings.

The new company is owned equally by the Butler Group of Walsall and Fondriest of St Jean de Belleville in France. Production will take place in both countries.

Japan carries day with Drexler reader

DREXLER TECHNOLOGY Corporation of the US says that the Japanese company Olympus Optical has developed a portable device for reading the Drexler Laser Card.

Drexler has been developing and licensing its optical card technology for some years and there has been difficulty in developing reliable reading units.

The cards, the size of a credit card, use similar principles to optical discs, but record in rows and columns. They can hold data equivalent to up to 800 pages of text.

CONTACTS: IBM UK: 0705 844341. Technical Insights US: (201) 369 4744. Ferranti Defence Systems UK: 031 537 2442. Nikom, Sweden: 031 156777. Swedish Telecom: Sweden: 0 710 4201. Cobapress UK: 0945 452246. Drexler Technology US: (415) 594 7277.

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APPOINTMENTS

Ferranti executive chairman

Following completion of the merger of Ferranti and International Signal & Control Group the following board appointments have been made at FERRANTI. Sir Derek Alun-Jones becomes executive chairman. Mr J.H. Guerin, executive chairman of ISC, joins the board as deputy chairman. Mr N.C. Blackwell, senior vice-president, marketing, of ISC, Mr R.C. Ivy, an executive director of ISC, and Mr J.R. Zilligen, finance director of ISC, are appointed executive directors of Ferranti, while Mr J.M. Fox and Mr J.A. Heywood become non-executive directors. Mr B.Z. de Ferranti continues as a non-executive director and has become honorary president of Ferranti.

TSB COMMERCIAL HOLDINGS - The TSB Group subsidiary which controls United Dominion Trust and Swan National - has made five senior appointments. Mr Don McCrickard, a group board member, becomes deputy chairman of TSB Commercial Holdings, and chairman of Swan National. Mr John Bourke, currently managing director of UDT Bank, becomes managing director of United Dominion Trust. He is also joining the boards of TSB Commercial Holdings and Swan National. Three general managers of UDT become directors. They are Mr Hamish Paton, Mr Michael Gibson and Mr Gordon Skingley.

Mr Mark Ellam has been appointed financial director of the BURGESS GROUP. He was with Allen-Bradley, a subsidiary of Rockwell International. Mr Arthur Eppwood has relinquished his post as group finance director, but remains a director and company secretary.

Mr Robert J. Woodbridge has been appointed a director of RIGGS A P BANK from December 1. He is an executive vice president of The Riggs National Bank of Washington, DC.

Mr John Spiers has been appointed managing director of ECS ENERGY CONSERVATION.

David Kinloch to join Caledonia Investments

Mr David Kinloch is to resign as an executive director of British & Commonwealth Holdings, the financial services and industrial group, to join CALEDONIA INVESTMENTS, the Cayser family's quoted investment company which recently reduced its stake in B&C from 31.3 per cent to less

than 5 per cent, writes *Clayton Horrie*. The move is intended to strengthen the management at Caledonia, which will have more than \$427m in proceeds from the sale of its B&C stake to invest over the next four years. Mr Kinloch will be one of only three executive directors.

Mr Leighton Passmore has been appointed sales director of BARTON ALUMINIUM FOUNDRIES, a member of the Barton Engineering Group. He was general manager (sales).

Mr Robert J. Steel has joined the board of BULLOUGH and has been appointed deputy managing director of the group. He joined Bullough in 1976 and became managing director of the project office furniture subsidiary. More recently he has been responsible for the division which includes Project, Proprietary, Johnson & Stanley, Benson and Business Aids.

J.H. MINET & CO has made Mr Anthony Paxton its divisional executive claims director for the engineers and contractors, international non-marine facultative and other divisions. Mr Philip Orrey has been appointed a director of the oil and gas offshore division.

Mr Keith Berry has been elected chairman of the NATIONAL ASSOCIATION FOR WASTE DISPOSAL CONTRACTORS. He is managing director of Waste Management.

NOREX has appointed Mr Leo Upton executive director of strategic planning. He was a director of the Gault Armstrong Kemble Group, recently acquired by NOREX.

Mr P.R. Williams has been appointed a director of HIGGS AND HILL MANAGEMENT CONTRACTING, based at the head office in New Malden, Surrey.

Mr V.H.B. Cloud has been appointed as the first chief executive of AILSA TRUCK FINANCE. He joins from a consultancy post having previously been sales operations director with United Dominion Trust.

From November 30 Mr Peter Hemming-Johnson will be joining HOENIG INSTITUTIONAL SERVICES.

Mr Malcolm Smith, formerly of British Telecom and Spicer Pegler, has been appointed managing director of DECIMAL TECHNOLOGY, part of the Frank Graham Group.

GEEVOR TIN MINES has appointed Mr Nicholas J.H. Hall to the board as finance director.

VICES as a senior equity dealer.

CLEANWAY has extended its board of directors. The board now comprises: Mr Peter Heath, managing director; Mr David Weir, financial director; Mr Doug Benjafield, director, technical services; Mr Peter Neill, director waste services, northern division; and Mr Alan Jones, director, waste services, southern division. Mr Heath takes on particular responsibility for the company's landfill activities. Mr Benjafield will devote his attention to developing Cleanway's technical services division. Mr Neill was previously general manager for the technical services division and Mr Jones general manager for waste services division, south.

Mr Evan Sutherland, director of supplies at the North Western Regional Health Authority, is to be assistant director of procurement with specific responsibility for tendering and contracting for the entire NHS.

COLLEGE HILL (UNDERWRITING AGENCY), specialist underwriters for performance bonds on behalf of Agon Insurance Company (UK), has made three appointments. From December 1, Mr Harold Livesey becomes a director and head of bond underwriting; Mr Trevor Jones becomes an underwriter and Mr Charles M. Brown an assistant underwriter. They were all with General Surety & Guarantee Co.

Mr Charles Green, a deputy group chief executive of National Westminster Bank, has been appointed chairman of the overseas committee of the CONFEDERATION OF BRITISH INDUSTRY. He will also sit on the central council reporting on international affairs.

Mr Neil Newton is joining FULTON PREBON STERLING on February 1 to direct the project finance service, in particular funding of joint private and public sector projects. He was borough treasurer of Bromley. His appointment follows Mr Paul Coleman's promotion to deputy managing director.

Mr Malcolm Smith, formerly of British Telecom and Spicer Pegler, has been appointed managing director of DECIMAL TECHNOLOGY, part of the Frank Graham Group.

GEEVOR TIN MINES has appointed Mr Nicholas J.H. Hall to the board as finance director.

Kleinwort reshuffle

As reported in the Financial Times yesterday there have been a number of senior appointments made in the KLEINWORT BENSON GROUP. Joining the Kleinwort Benson Lonsdale (the holding company) board on January 1 will be Mr Jonathan Agnew, chairman of Kleinwort Benson Securities; Mr Timothy Barker, head of the corporate finance division; Mr Robert Brooks, group compliance officer; Mr Olive Crook, chairman of the group's three fixed interest subsidiaries (Kleinwort Greaveson Charlesworth, Kleinwort Government Securities Ltd, and Virginia Trading Corporation); Mr Philip Gay, head of the treasury division; Mr Nigel Mackenzie, president of Kleinwort Benson Inc. in North America; Mr Martin Mays-Smith, currently head of the banking division, who will relinquish that post to join the group business development team as a member of the KBL board; Mr Simon Robertson, head of international corporate finance; and Mr Stephen Gwin, currently head of North American banking, to take over as head of the banking division. Kleinwort Benson Ltd will have a newly-formed executive committee comprising senior executives representing the main business of the merchant bank, chaired by Mr Agnew. Executive decisions in Kleinwort Greaveson Investment Management will continue to be handled by an executive committee of KGM.

BRITISH GYPSUM has appointed Mr John Hannan as sales and marketing director. He joins from Elmerit Building Products where he was deputy managing director.

CAMERON MARKBY has been appointed as its first director of information services. Ms Wendy E. London, a specialist in the design of legal information systems.

ROYAL TRUST BANK has appointed Mr Peter Roberts as senior associate director; Mr Michael Brierley as divisional director and financial controller; and Mr David Pellett, who joins from Charterhouse Bank, as divisional director, credit.

Mr Corrie Halliday has been appointed group finance director of KLEEN-B-ZZ HOLDINGS.

Mr Robert Fox has been appointed a non-executive director of CLARKE HOOPER. He is a director of a number of US mutual funds and will remain based in the US.

Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

Registration No. 01 16300 06

Interim report and dividend

The unaudited consolidated results of the Corporation for the six months ended September 30 1987 and abridged balance sheet at that date are as follows:

Income statement		30 months ended 30.9.87	30 months ended 30.9.86	30 months ended 30.9.85
(R million)				
Net income		438	400	943
- Investments		132	235	423
- Trading		10	43	175
- Other		572	678	1541
Net income before taxation		101	180	316
Income tax		471	498	1225
Attributable to outside shareholders		60	83	193
Preferred dividends		60	94	194
Attributable earnings		411	404	1031
Retained earnings of associated companies		227	177	472
Equity accounted earnings		638	581	1503
Extraordinary items		13	(11)	(47)
Earnings after extraordinary items		651	570	1456
Transfer to non-distributable reserve		247	181	430
Ordinary dividends		143	143	514
Retained earnings for the period		261	276	512
Earnings per ordinary share - cents				
- Attributable earnings		179	177	451
- Equity accounted earnings		279	254	558
Dividends per ordinary share - cents				
- Interim		62.5	62.5	62.5
- Final		-	-	162.5

Balance sheet		30.9.87	30.9.86	31.3.85
(R million)				
Ordinary shareholders' equity		118	91	97
Capital and premium		3 550	2 988	3 284
Non-distributable reserve		3 052	2 586	2 794
Retained earnings		6 720	5 675	6 175
Preferred capital and premiums		5	15	5
Outside shareholders' interests in subsidiary companies		1 026	933	995
Total shareholders' interests		7 761	6 623	7 175
Loan capital		211	231	217
Loans from associated companies and others		1 881	2 111	2 358
Other liabilities		720	687	928
		10 573	9 652	10 675

Represented by:		30.9.87	30.9.86	31.3.85
(R million)				
Investments		6 278	5 282	5 781
Fixed assets		3 011	1 798	1 914
Stocks and debtors		648	550	567
Deposits and cash		1 636	2 042	2 313
		10 573	9 652	10 675

Number of ordinary shares in issue - millions		30.9.87	30.9.86	31.3.85
Net asset value - cents per ordinary share (after providing for dividend)		12 727	9 386	10 542

Notes:
1. References to ordinary shares, ordinary shareholders and ordinary dividends include the 3 ordinary shares created on April 30 1987 which rank pari passu in all material respects with the ordinary shares.
2. Particulars of the Group's interests in listed associated companies and general investments are as follows:

	30.9.87	30.9.86	31.3.85
(R million)			
Associated companies			
Market value	24 491	17 515	19 862
Carrying value	4 245	3 774	4 072
	20 246	13 741	15 790
General investments			
Market value	4 433	3 337	3 599
Book cost	241	222	222
	4 192	3 115	3 377
Appreciation	24 438	16 856	19 367
Outside shareholders' interest therein	2 948	1 585	2 004
	21 790	15 271	17 263

3. Particulars of the Group's capital expenditure, which relates almost entirely to the operating subsidiaries are as follows:

	30.9.87	30.9.86	31.3.85
(R million)			
Capital expenditure for period (net)	133	132	268
Capital expenditure commitments (net)	638	861	737

4. There are no material changes in contingent liabilities from those disclosed in the latest annual report.

Commentary
Attributable earnings for the six months ended September 30 1987 were R411 million (179 cents per share), compared with R404 million (177 cents per share) for the corresponding six months of 1986. Equity accounted earnings rose by 10 per cent to R581 million (279 cents per share). The interim dividend was maintained at 62.5 cents.

Income from investments at R430 million was 7.5 per cent higher than the comparative R400 million. The increase is largely attributable to higher dividend payments from diamond and industrial interests. Gold mine dividend income was little changed, although the rand gold price in the first six months of 1987 averaged R875 per ounce compared with R738 per ounce in the corresponding period in 1986, an increase of 15 per cent. The rand gold price reflects a strengthening of the rand in relation to the dollar in that the gold price in US dollar terms increased by 25 per cent from \$343 to \$428 per ounce over the same period. Dividend income during the second six months of the financial year will be adversely impacted by the National Union of Mineworkers' strike on the gold mines in August.

Trading income decreased by 44 per cent to R132 million from R235 million due to the adverse trading conditions experienced by Anglo American Coal Corporation Limited (Amcoal). The lower net income of the subsidiary Amcoal also largely accounts for the R79 million drop in the taxation charge to R101 million and for the decrease from R55 million to R50 million in outside shareholders' interests in earnings. The reduction in other income from R43 million to R10 million reflects

increased prospecting and lower net interest received due to reduced cash balances and lower interest rates prevailing during the period.

Retained earnings of associated companies, which are transferred to non-distributable reserves, improved by R50 million to R227 million; the improvement being largely attributable to mining finance and industrial associates.

Since September 30 1987 there has been a major fall in the market value of listed investments. As a result the net asset value per ordinary share has fallen from 12 727 cents at September 30 1987 to 9 386 cents at November 19 1987 and the Corporation's current share price stands at a discount of approximately 30 per cent against this lower net asset value.

On September 15 1987 De Beers Consolidated Mines Limited (De Beers) an associate of the Corporation, issued 20 million new equity shares, in consideration for the acquisition of certain diamond stocks. This new issue had the effect of diluting the Corporation's and its subsidiaries' equity interest in De Beers from 34.3 per cent to 32.5 per cent.

Despite the adverse effects of the gold mines strike the results for the year ending March 31 1988 are expected to show a similar trend to that recorded for the first six months.

For and on behalf of the board:
G.W.H. Rely
J. Ogilvie Thompson Directors

Dividend

On Thursday, November 26 1987, the directors of the Corporation declared interim dividend No. 103 on the ordinary shares as follows:

Amount (South African currency)	62.5 cents per share
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Last day to register for dividend (and for changes of address or dividend instructions) Friday, December 18

Registers closed from (to inclusive) Saturday, December 19

Ex-dividend on Johannesburg and London stock exchanges Monday, December 21

Currency conversion date for sterling payments to shareholders paid from London Monday, December 21

Dividend warrants posted Thursday, January 21

Payment date of dividend Friday, January 22

Rate of non-resident shareholders' tax 13.4027 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and its transfer secretaries.

By order of the board
C.L. Maltby
Secretary

Head office
44 Main Street
Johannesburg 2001

London office
40 Holborn Viaduct
London EC1P 1AJ

York Trust continues to expand.

Extracts from the interim statement to shareholders by Neil Balfour, Chairman of York Trust Group plc.

- This highly satisfactory half year result is the product of the substantial development of our group.
- Profits from LCF (the largest broker on LIFFE) have been excellent, and especially so during the turbulent financial markets of recent weeks.
- The results of Park Place Finance are ahead of expectations, though its full contribution to profits will only come in the second half.
- We are continuing to expand Richards, Longstaff which has already more than doubled in size since we acquired it a year ago, while Silkham Management Ltd and Centurion Management Services Ltd both produced record profits.
- In the more realistic market conditions of today, our overall strategy remains unchanged: to continue to use our investment banking profits to develop the core businesses of the group and to concentrate on businesses which do not require or place at risk substantial amounts of capital.

Table of Results

	Unaudited results for the half year to 30th September	1986	Year ended 31st March 1987
	£'000	£'000	£'000
Group Income	7,714	2,662	7,659
Profit Before Tax	3,254	819	2,579
Profit After Tax	2,115	684	2,218
Earnings per Share	4.24p	1.79p	5.25p
Dividend per Share	0.45p	-	1.0p

York Trust Group

Dauntsey House, Frederick's Place, London EC2R 8HN.
Tel: 01-606 2167.

GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	Gross Div	Yield	P/E
265	133	Ass. Bt. Ind. Ordinary	282	0	8.0	4.7
207	145	Ass. Bt. Ind. CILS	207	0	10.0	4.8
41	32	Aeroflight and Raffles	32	0	4.2	33.1
242	48	B&B Design Group (VSEB)	40	0	2.1	3.4
186	108	Barton Group	126	0	2.7	17.0
185	95	Bay Technology	152	-2	4.7	31.2
281	130	CCF Group Ordinary	268	0	11.5	4.3
147	89	CCF Group 17% Conv. Pref	135	0	15.7	11.6
172	136	Cartersford Ordinary	144	-1	5.4	37.2
104	91	Cartersford 7.5% Pref	104	0	10.7	10.3
180	87	George Bish	74	-2	3.7	2.5
143	82	Idis Group	82	0	5.7	2.5
302	59	Johnson Group	99	-3	3.4	5.8
780	320	Midwestern HV (AmcoSE)	340	0	8.1	13.5
88	75	Reed Holdings (SE)	65	0	6.4	33.1
188	83	Reed Holdings 10% Pref (SE)	108	-7	14.1	13.1
91	59	Robert Jackson	59	0	4.5	4.9
124	42	Sheraton	124	0	8.5	4.9
224	141	Trevelyan & Carls	204	-1	4.4	3.2
70	32	Trevelyan Holdings	70	0	8.8	1.2
121	50	Unicell Holdings (SE)	50	0	2.8	5.2
244	115	White Atlantic (SE)	140	0	5.4	12.2
202	190	W.S. Yates	202	-2	17.4	8.6
175	96	West Yorkshire Ind. (VSEB)	120	0	5.5	4.6

Securities designated (SE) and (USSE) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBA.

Granville & Company Limited
8 Lovell Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBA

Granville Davies Colman Limited
8 Lovell Lane, London EC3R 8BP
Telephone 01-621 1212
Member of the Stock Exchange

MOORGATE MERCANTILE HOLDINGS PLC

AUTHORISED INSTITUTION UNDER THE BANKING ACT 1987

INTERIM ANNOUNCEMENT

PROFIT UP 41%

Financial highlights for six months ended 30 September 1987*

	1987	1986	Increase
	£'000	£'000	%
TURNOVER	25,235	16,907	49.3
PRE-TAX PROFIT	1,202	851	41.2
DEFERRED REVENUE	11,357	7,968	42.5
EARNINGS PER SHARE	3.00p	2.13p	40.8
DIVIDEND PER SHARE	0.95p	0.65p	46.1

OUTLOOK

The directors remain confident that progress will continue during the remainder of the financial year.

* Unaudited

Copies of the Interim Report are available from the Secretary, Moorgate House, 312 High Road, London N15 4BX

COMMODITIES AND AGRICULTURE

Platinum price war on the cards

BY KENNETH GOODING, MINING CORRESPONDENT

PRICE WARFARE could hit platinum as early as next year, according to the latest annual review of the platinum industry by Shearson Lehman Brothers.

Supply is set to mushroom from 1989 onwards with a plethora of new projects on the drawing board, the author, Miss Rhona O'Connell points out.

"It is clear that a number of producers in Southern Africa (which accounts for over 80 per cent of output) will be prepared to sustain a price war if necessary and if prices are not driven down by sustained oversupply, then they will fall because of undercutting measures", she adds.

The review argues that the platinum market is already in fundamental oversupply.

Over the past five years demand has risen by an annual 5.6 per cent, helped mainly by the use of platinum in catalytic converters for cars. Total off-take this year is forecast to climb from 89 tonnes in 1986 to 95 tonnes.

WESTERN WORLD PLATINUM MARKET			
	1988 (t)	1987 (t)	1986
PRODUCTION (tonnes)			
Primary	94.4	91.8	94.0
Secondary	13.8	13.4	11.6
Total	108.2	105.2	105.6
DEMAND (tonnes)			
Automotive	34.4	32.5	32.7
Jewellery	29.3	28.5	26.4
Total	100.6	95.1	99.3
Change in Nymex stocks	-	-0.3	+0.2
NET SURPLUS			
Annual average	7.6	10.4	6.1
Prices (\$ per ounce)	510	556	465

f = forecast, e = estimated

But the historic rate of growth in supply is higher at 5.7 per cent a year - and from a larger base. Total 1987 supply is put at 105 tonnes, up from 96 tonnes last year, says Miss O'Connell.

However, the surplus available for investment may be less than the suggested 10 tonnes because consumers have rebuilt stocks

and producers are thought to be selling less than their full production.

The effect of oversupply has outweighed platinum's strategic nature and along with fears of a recession which would cut car demand, led to the recent 24 per cent fall in the price from the summer level of \$570 to \$465, the review says.

But the fall to price parity with gold at one stage "appears to have been overdone" and platinum's price should stabilise marginally above current levels.

Platinum currently is about \$611 compared with around \$477 for gold.

The year Shearson forecasts prices averaging \$556 an ounce, compared with 1986's \$465.

Prices in 1988 will to some extent depend on action taken by the US Administration to deal with its budget deficit.

Shearson says it is still unclear whether the US will infuse its way out of its current problems. If this happens prices would range between \$475 and \$710 an ounce, averaging \$625.

On the other hand, if tax increases and spending cuts are adopted, resulting in a deflationary recession, the market may range from \$552 down to a possible low of \$386, averaging \$460.

Annual Review of the World Platinum Industry, 1987, from Shearson Lehman Brothers, 601 Broadgate, London EC2M 7ZA

Brazil to argue for lower cocoa 'floor'

By Ann Charters in Sao Paulo

THE BRAZILIAN delegation to the International Cocoa Organisation meeting starting in London on Monday is to propose a reduction in the buffer stock manager's "must buy" trigger price under the International Cocoa Agreement (IOCA). Brazil, the world's second biggest cocoa producer, regards this as a necessary move towards solving the problems of oversupply and low prices on world markets.

Its delegation will propose a drop from 1,600 to 1,400 special drawing rights per tonne. Since this would still be above the current market level, however, it would not, unless prices rise, remove the ban's obligation to make support purchases once the agreement's economic clauses come back into force.

The proposal is part of Brazil's long term strategy to make price levels more realistic internationally, thereby reducing the cost of trying to prop up the international cocoa market and discouraging excessive production in an already oversupplied market.

Reports on the cocoa producers' meeting in Brasilia this week, where agreement has been sought on the country's stance at the IOCA, have also stated that the country is particularly concerned that non-members such as Malaysia have been encouraged to raise production by the continued existence of the IOCA to boost prices.

Opec overproduction makes oil price increase unlikely

BY LUCY KELLAWAY

OPEC MEMBERS will meet next month amid signs that combined production for December is running at nearly 19m barrels a day - over 2m barrels higher than the official ceiling - while the latest forecasts suggest that demand for the first quarter of next year could fall as low as 15.5m barrels a day.

According to Kleinwort Greaves Securities, production will remain high next month, despite the recent fall in spot prices to below \$18 a barrel. The broker argues that most Opec members are keeping production up by offering discounts, so as to enhance their bargaining position in anticipation of a new agreement on production quotas.

The expected squeeze on Opec

at the beginning of next year is a result of heavy overproduction since the summer, which has resulted in an unseasonal stockpile of 600,000 b/d in the last three months of this year. With demand forecasts 1.5m b/d lower than expected two months ago, few observers expect a price increase at next month's meeting from the official level of \$18 a barrel to compensate for the recent fall in the value of the dollar.

The price increases apply to northern softwood bleached kraft pulp used in a wide variety of papers and in which Canada and Scandinavia are market leaders. The price in Europe and Japan will rise by 7 per cent from \$635 to \$680 per tonne. The North American price will rise 7.4 per cent from \$650 to \$695 per tonne. These are listed prices which may be discounted for major customers but provide a guideline to the market.

The North American softwood

well of Cyrus J Lawrence, 90 per cent of Opec oil is now being sold at market related prices. He argues that the proportion is likely to rise to 100 per cent in the next few weeks, as refiners shut all crudes offered at official prices in favour of cheaper discounted deals. As a result, he forecasts a fall in the oil price to \$15 a barrel by mid February next year.

The few members, Saudi Arabia is one, which have hitherto been reluctant to offer large discounts have suffered a reduction in liftings. According to a recent report by Petroleum Intelligence Weekly, Saudi production for November may fall some 900,000 to 500,000 barrels below its official 4.3m ceiling.

Colombian coffee crop threatened by disease

DISEASE PROBLEMS are likely to cause a sharp fall in Colombian coffee production next season, a conference in Bogota was warned this week, reports Reuters.

Colombia occupies second place in the world coffee league, a long way behind Brazil but well ahead of the next biggest producer.

This season's crop is expected to total at least 12m bags (80 kgs each) but in 1988/89 growers may be hard put to harvest 10m bags, delegates were told.

Mr Diego Arango Mora, chief of the Quindio region, which usually produces about 9 per cent of the country's production, told the National Coffee Conference that disease problems were affecting next year's production.

Diseases including rust are causing beans to dry up before ripening in parts of the Cauca and Caldas regions, as well as Quindio.

Mr Mario Gomez Estrada, president of the Coffee Growers' National Committee, said older plantations had been hit by rust at a time when beans were plentiful. Weakened plants, some as much as 15 years old, were not resisting, he said, and the problem would show up in the flowering period next March.

Colombia is expected to export around 9.7m bags of coffee this year, including sales to countries outside the International Coffee Organisation. That would represent a substantial fall from the export record of 12m bags achieved in 1986/87, when ICO export quotas were suspended.

Canadian pulp producers lift prices

By Robert Gibbons in Montreal

CANADIAN PULP producers have posted increases of 7 per cent to 7.4 per cent after a year of price cuts. The new prices will take effect from January 1 1988 in European, North American and Asian markets, and the tightness of world stocks suggests the new prices will stick.

The price increases apply to northern softwood bleached kraft pulp used in a wide variety of papers and in which Canada and Scandinavia are market leaders. The price in Europe and Japan will rise by 7 per cent from \$635 to \$680 per tonne. The North American price will rise 7.4 per cent from \$650 to \$695 per tonne. These are listed prices which may be discounted for major customers but provide a guideline to the market.

The four companies initially announcing the increases are Repap Enterprises, Canfor Corporation, Northwood Pulp, a subsidiary of Noranda, and Irving Pulp and Paper. Other export producers are expected to follow.

Uzbekistan cotton

SOVIET authorities have lowered the annual target for cotton harvested in Uzbekistan after a series of poor crops, saying the state plan was unrealistic, Reuters reports from Moscow.

It quotes the newspaper Sakhaya Zhan as saying that 4.8m tonnes of raw cotton had been brought in so far this year, nearly 200,000 tonnes less than last year's crop which was the worst in the republic's history.

Canadian mint reports gold coin 'rush'

BY KENNETH GOODING

THE STOCK market crash in October has completely changed the outlook for gold coin producers because "small but serious investors" have rushed to put gold bullion and gold coins in their portfolios, according to Mr Murray Church, director of communications for the Royal Canadian Mint.

In the two weeks following the October 19 "meltdown" in equity prices, the Mint received orders for its Maple Leaf coins equivalent to 200,000 troy ounces of gold, compared with the usual demand of 100,000 ounces a month.

The rate of sales had slowed since then but even so the Mint now expects to sell coins containing 1.36m ounces of gold this

year. Before the crash it had forecast the total to fall to about 1m ounces.

Mr Church suggested that sales in 1988 might even match last year's 1.504m ounces achieved last year.

Maple Leaf coins, in four sizes and of 99.99 per cent pure gold, absorb about half the output from all Canada's gold mines and are mainly exported. Western Europe takes 45 per cent, Asia 30 per cent with 25 per cent going to North America.

In the post-crash period, demand for the coins was particularly strong in Austria, Switzerland and West Germany, said Mr Church, who was on a promotional visit to London.

Sales of the Maple Leaf coins,

introduced ten years ago, reach a peak equivalent to 1.878m ounces of gold in 1986 but have fallen following the launch last year of the US Eagle coin.

Mr Church admitted that the Eagle at first captured nearly all the Maple Leaf's sales in the US without enlarging the market for gold coins as much as the Canadian Mint had hoped.

He suggested, however, that the Eagle had yet to establish effective distribution outside the US and that the Maple Leaf was winning back market share in the US itself.

So the Maple Leaf had won back its position as the biggest-selling gold coin with sales by mid-November this year equivalent to more than 1.5m ounces of

gold compared with the Eagle's 1.07m ounces.

The Canadian coin also faces new competition from the Nugget, introduced a year ago by the Western Australian Mint in Perth (another coin of 99.99 per cent gold or 24 carats) but which so far has made most headway outside Australia among investors in Asia.

Mr Church said it was too early to judge the impact of the UK Royal Mint's Britannia coin (of 22 carat gold or of 91.67 per cent purity like the Eagle) which was launched last month.

All indications pointed to another strong year for the Maple Leaf in 1988, he said.

Anti-food aid lobby defeated over Indian dairy project

John Elliott on the third stage of the Operation Flood co-operative development

THE EC is to supply India next month with food aid in the form of 18,000 tonnes of skimmed milk powder and 1,000 tonnes of butter oil to start the third stage of the country's Operation Flood co-operative dairy development project, which is also being financed by the World Bank.

This is in addition to further aid - backed up by international commercial purchases of edible oil and other commodities - which India is using to offset the effects of a combination of widespread drought and floods. It is estimated that national daily milk production has been cut by 10 per cent in the last few months following an increase totalling 30 per cent over the last four years.

Next month's Operation Flood food aid is the first tranche of a 5-year EC donation for the third stage, which will total 76,000 tonnes of milk powder and 25,000 tonnes of butter oil worth between \$200m and \$250m. It was cleared earlier this month by the Community's food aid

committee and goes to the European Parliament for ratification next month.

The World Bank has negotiated a \$350m financial loan spread over seven years for the third stage. This has made it the biggest financial backer of Operation Flood, which started in 1970 and is the world's largest dairy development project.

The decision of the European Commission to go ahead with the third stage amounts to a defeat for European academics and other anti-food aid lobbyists, and a victory for Dr Verghese Kurien, the chairman of India's National Dairy Development Board.

Dr Kurien founded and runs the project, which aims to form a national milk grid linking rural villages co-operatives to major urban areas, together with allied operations making butter and other products. Funds raised by selling the food aid in the lean milk season helps to finance development of the co-operatives and grid.

The third stage of the project has been extended from five years to seven in order to give the board time to reach its production target of 18m litres of milk a day in the peak season. It has been decided that 70,000 co-operatives, instead of 50,000 as originally envisaged, will be needed to achieve this target. There are 47,000 at present.

The number of families involved is planned to go up from 4.7m to 8m, with peak season milk procurement rising from 11.2m litres a day to 18.3m litres. The daily average procurement throughout the year is planned to increase from 8.5m litres to 13.7m litres.

The EC and the World Bank intend to increase their control and influence in the third stage

with detailed monitoring and other measures. They are anxious to counter criticism that food aid products were being dumped below market price and that the existence of the food aid was holding back the development of India's own production.

Dr Kurien rejects these criticisms. "I won't subordinate my judgment to anyone, including the EC, but if you can educate me that there's a better way to do something, then I'll listen," he says.

The EC is saying that food aid should not be sold to co-operatives below market prices, other than in subsidised sales to new co-operatives. There will also be a yearly review to see whether India's domestic milk production

is large enough to make food aid unnecessary, in which case finance for developing the project would be provided instead. It also wants the aid to be used to help co-operatives and farmers directly, rather than through distribution facilities.

The total cost of the third stage is estimated at Rs2bn (about \$700m) which includes Rs2bn generated internally by the dairy board in addition to the World Bank and EC funds.

The drought has cut milk production from village co-operatives by as much as 60-70 per cent in some of the worst hit areas in the states of Rajasthan and Gujarat. Floods in other areas have also hit milk production and Dr Kurien estimates that nationally there is a 10 per cent decline.

His organisation is having to pay farmers 15 per cent more and the National Co-operatives Federation is asking the Government for matching milk price increases. To help offset the effects of

the drought, the Indian Government has told the Dairy Board to buy 30,000 tonnes of butter and 30,000 tonnes of milk powder from international markets. An initial 10,000 tonnes of each category has been purchased for delivery this month from West Germany and other European countries.

The board is discussing purchasing 500,000 tonnes of maize to supplement animal feed from the US, which is also considering aid donations of another 400,000 tonnes of maize and 5,200 tonnes of butter oil. In addition the EC is expected to supplement its earlier drought relief donations with 14,000 tonnes of edible and butter oils and skimmed milk powder.

The purchases from international markets are being conducted under countertrade arrangements, in line with the Indian Government's latest policy of negotiating offset deals on as many foreign transactions as possible to save foreign exchange.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL CONTINUED to outshine other LME metals yesterday as the price reached a fresh 52-year high in dollar terms and, in other currencies, a 24-year high in sterling terms. Dealers reported sporadic merchant buying and fresh speculative interest against a background of sustained consumer demand. The copper price rise appeared to have run out of steam, or at least paused for breath, with free cash grade A position losing £20 of the £120 gained in the first three days of the week.

Aluminium eased further meanwhile. Coffee futures posted modest gains in what dealers described as a "quietly steady" market.

The US commodity markets were closed yesterday for the Thanksgiving holiday.

SPOT MARKETS

Crude oil (per barrel FOB January) + or -
Brent Blend \$16.50-16.70
W.T.I. (per barrel) \$17.75-17.90 +0.75

Oil products (DME prompt delivery per tonne CIF)

Premium Gasoline \$180-182 +0
Gas Oil \$161-163 +0
Heavy Fuel Oil \$153-155 -0
Petroleum Argon Estimates

Other

Gold (per troy ounce) \$477.75 +1.00
Silver (per troy ounce) \$8.65 +0.05
Platinum (per troy ounce) \$370.50 +1.00
Palladium (per troy ounce) \$128.00 +0.00

Aluminium (free market)

Copper (US Producer) 114.00-125.00 +0
Lead (US Producer) 42.00 +0
Nickel (free market) 28.00 +0
Tin (European free market) 2800.00 +0
Tin (Kuala Lumpur market) 17.01 +0.01
Tin (New York) 321.00 +0
Zinc (Euro. Prod. Price) 39.00 +0
Zinc (US Prime Western) \$4.375

Cattle (live weight)

Sheep (dead weight) 103.50p +0.45
Pigs (live weight) 74.00p -0.15
London daily sugar (raw) \$200.80p +0.40
London daily sugar (white) \$207.50p +4.30
Tale and Live export prices \$17.50 +0.50

Barley (English feed)

Maize (US No. 3 yellow) \$134.50 +0.50
Wheat (US Dark Northern) \$29.25p +0.50
Rubber (spot) 62.00p +0.50
Rubber (Jan 9) 63.75p +0.75
Rubber (Feb 9) 64.00p +0.75
Rubber (Oct. RSS No 1) 281.00m +0.50

Coconut oil (Philippines)

Palm Oil (Malaysia) \$497.50p +0.50
Coconut (Philippines) \$320.00p +0.50
Soyabean (US) \$14.50 +0.70
Cotton "K" Index 76.70 -0.70
Woolprice (54 Super) 45.00

2 a tonne unless otherwise stated, p-pence/kg, c-cents/kg, r-rings/kg, w-dec/Jan, s-Jan/Feb, x-Nov/Dec, y-Dec, f-futures, c-commission average

franchise prices, * change from a week ago. £ London physical market, c CIF Rotterdam, \$ Sullon market, m-Malaysia/Singapore coming

GODDARD 2/tonne

	Close	Previous	High/Low
Dec 1082	1083	1080 1085	
Jan 1128	1127	1125 1130	
Mar 1148	1148	1147 1157	
May 1168	1168	1167 1180	
Jul 1188	1188	1187 1200	
Sep 1208	1210	1208 1225	
Nov 1228	1233	1232 1250	

Turnover: 1987 (5281) lots of 10 tonnes
ECU indicator price (USD cent per tonne). Daily price for November 25: 1492.27 (1471.58), 10 day average for November 25: 1487.80 (1498.50).

COFFEE 2/tonne

	Close	Previous	High/Low
Nov 1228	1221	1228 1222	
Dec 1248	1253	1250 1258	
Jan 1268	1274	1274 1276	
Mar 1301	1298	1298 1298	
May 1328	1315	1315 1315	
Sep 1348	1340	1342 1342	
Nov 1370	1385		

Turnover: 1324 (2287) lots of 5 tonnes
ECU indicator price (USD cent per tonne). Daily price for November 25: 1492.27 (1471.58), 10 day average for November 25: 1487.80 (1498.50).

SUGAR 5 per tonne

	Close	Previous	High/Low
Dec 179.00	178.00	182.00 178.00	
Jan 181.00	179.00	182.00 178.00	
Mar 181.00	178.00	182.00 178.00	
May 181.00	178.00	182.00 178.00	
Jul 181.00	178.00	182.00 178.00	
Sep 181.00	178.00	182.00 178.00	
Nov 181.00	178.00	182.00 178.00	

White Cane Previous High/Low

	Close	Previous	High/Low
Mar 213.10	211.20	212.50 210.50	
May 217.50	216.50	217.50 215.50	
Jul 224.00	223.00	223.50 221.50	
Sep 224.00	223.00	223.50 221.50	
Nov 224.00	223.00	223.50 221.50	

Turnover: Raw 3048 (3700) lots of 50 tonnes
White 1029 (1454)

Partly White (FF) per tonne: Mar 1197, May 1288, Aug 1295, Oct 1254, Dec 1275, Mar 1310.

GAS OIL 2/tonne

	Close	Previous	High/Low
Dec 182.00	181.75	182.75 181.50	
Jan 181.25	181.00	182.25 181.00	
Feb 180.25	180.50	181.25 180.25	
Mar 184.50	184.75	185.50 184.50	
Apr 181.75	181.00	181.75 181.75	
May 181.00	181.75	181.75 181.75	

Turnover: 1806 (4848) lots of 100 tonnes

GRAINS 2/tonne

	Close	Previous	High/Low
Jan 115.50	115.00	116.00 115.00	
Mar 115.50	117.00	117.75 117.00	
May 119.50	119.50	120.10 119.50	
Jul 123.00	121.75	123.00 121.50	
Sep 109.00	102.15	102.00 102.70	
Nov 104.75	104.00	104.75 104.50	

Barley Cane Previous High/Low

	Close	Previous	High/Low
Jan 107.85	107.80	108.00 107.75	
Mar 109.70	109.75	110.00 109.50	
May 111.50	111.60	111.70 111.50	
Sep 97.50	98.00	98.00 97.50	
Nov 98.50	100.00	100.00 97.50	

Quiet trading on Liffe

sonably strong economic data acted as a negative factor.

December deliveries US bonds opened lower on Liffe at 87-20, and closed around the middle of a fairly narrow trading range at 87-25, compared with 88-04 previously.

Japanese government bond futures opened weaker on Liffe, after a sharp fall in late Tokyo trading. Selling developed in the first half of the session, as the failure of the cash market to react more favourably to the terms of the Finance Ministry's offer of December bonds.

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

[illegible]

	High	Low	Open	Close
Jan	1.14	1.27	0.00	0.00
Feb	1.14	1.27	0.00	0.00
Mar	1.14	1.27	0.00	0.00
Apr	1.14	1.27	0.00	0.00
May	1.14	1.27	0.00	0.00
Jun	1.14	1.27	0.00	0.00
Jul	1.14	1.27	0.00	0.00
Aug	1.14	1.27	0.00	0.00
Sep	1.14	1.27	0.00	0.00
Oct	1.14	1.27	0.00	0.00
Nov	1.14	1.27	0.00	0.00
Dec	1.14	1.27	0.00	0.00

THREE-MONTH CUMULATIVE (2000)				
Share points at 100%				
	C	H	L	P
Dec	92.37	92.45	92.38	92.41
Nov	92.31	92.41	92.30	92.41
Oct	92.31	92.38	92.30	92.41
Sept	91.59	91.67	91.29	91.38
Aug	91.39	91.37	91.31	91.39
July	91.18	91.19	91.12	91.18
June	91.05	91.05	90.96	91.05
May	90.64	90.74	90.70	90.75

STANDARD & POORE'S 500 INDEX				
2000 (Share Index)				
	C	H	L	P
Dec	247.40	247.40	246.15	247.13
Nov	245.30	245.30	244.15	245.15
Oct	245.30	245.30	244.15	245.15
Sept	244.50	244.50	243.50	244.45
Aug	244.50	244.50	243.50	244.45
July	244.50	244.50	243.50	244.45
June	244.50	244.50	243.50	244.45
May	244.50	244.50	243.50	244.45
April	244.50	244.50	243.50	244.45
March	244.50	244.50	243.50	244.45
February	244.50	244.50	243.50	244.45
January	244.50	244.50	243.50	244.45

WORLD VALUE

OF AMERICA GLOBAL TRADE

VALUE OF DOLLAR	COUNTRY
\$0.40	Greece
1.6232	Greece
1.6232	Germany
1.6232	Spain
1.6232	Canada
2.70	Spain
2.70	France
3.99	France-Greece
1.644	Greece
1.644	Greece

1,500	Haiti	Guatemala
1,578.9	Honduras	Guinea
1,734	Hong Kong	Hungary
31.10	Hungary	
2,031.3		
2,245.8	Indonesia	Indonesia
33.00	Iran	Iran
1.90	Iran	Iran
262.25	Israel	Israel
2.18	Italy	Italy
2.18	Italy	Italy
1,434.4	Jamaica	Jamaica
40,977	Japan	Japan
1,000	Japan	Japan
0.8492	Jordan	Jordan
262.25		
262.25		
112.508	Kazakhstan	Kazakhstan
	Korea	Korea
	Korea (North)	Korea (North)
262.25	Korea (South)	Korea (South)
1.31		

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I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD Tel: 01-828 7253/5699 Reuters Code: IGIN, IGID		
FT 30 Nov. 1308/1323 +9 Dec. 1316/1331 +9	FTSE 100 Nov. 1655/1670 +10 Dec. 1665/1680 +10	WALL STREET Dec. 1930/1955 -10 Mar. 1940/1965 -16
Prices taken at 5pm and change is from previous close at 5pm		

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, November 25, 1987. The exchange rates listed are middle rates between buying and selling rates at equal intervals from banks, unless otherwise indicated. All currencies are quoted in U.S. dollars per unit of foreign currency in certain specified areas. All rates quoted are indicative. They are not fixed on, and are not intended to be used as, a basis for, particular transactions.

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ECU=SUS1.29912 SDR1=SUS1.35764
As of October 28, at 17.00 a.m.

	3 months	6 months
Eurodollar Libor:	7 7/8	7 7/8
Shor:	7 7/8	8

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Algeria	Algerian Dinar	20.48	Greenland	Danish Krone	6.4625	Poland	Polish Zloty	37.4000
Algeria	Algerian Dinar	20.48	Greenland	Danish Krone	6.4625	Poland	Polish Zloty	37.4000

Algeria	Dinar	4.67	Costa Rica	Colon	5.00
Andorra	French Franc	75.651	Cuba	U.S. \$	1.80
	Spanish Peseta	112.34	Guatemala	Quetzal	1.00
Angola	Escudo	20.928	Haiti	Gourde	1.00
Antigua	E. Caribbean	2.70	Honduras	Lempira	1.00
Argentina	Austral	3.50	India	Rupee	1.00
Australia	Dollar	1.79	Indonesia	Rupiah	1.00
Austria	Schilling	13.7603	Israel	Sheqel	1.00
Bahamas	Dollar	2.00	Italy	Lira	1.00
Bahrain	Dinar	4.76	Japan	Yen	1.00
Barbados	Dollar	2.00	Kenya	Shilling	1.00
Belize	Dollar	2.00	Laos	Kip	1.00
Bermuda	Dollar	2.00	Lebanon	Pound	1.00
Bhutan	Dzong	2.47	Libya	Dinar	1.00
Bolivia	Bolivar	6.00	Luxembourg	Franc	1.00
Bosnia	Mark	1.00	Macao	Pataca	1.00
Brazil	Cruzado	200.00	Malaysia	Ringgit	1.00
Bulgaria	Lev	1.00	Maldives	Rufiyaa	1.00
Burkina Faso	CFA Franc	1.00	Mali	CFA Franc	1.00
Burundi	CFA Franc	1.00	Malta	Lira	1.00
Cambodia	Riel	1.00	Mexico	Peso	1.00
Cameroon	CFA Franc	1.00	Moldova	Leu	1.00
Canada	Dollar	1.00	Monaco	Franc	1.00
Cape Verde	Escudo	20.00	Morocco	Dirham	1.00
Cayman Islands	Dollar	2.00	Mozambique	Meticup	1.00
Central Bank	U.S. \$	1.00	Nepal	Rupiah	1.00
Chad	CFA Franc	1.00	Netherlands	Guilder	1.00
Chile	Peso	1.00	Netherlands Antilles	Guilder	1.00
China	Yuan	1.00	Nicaragua	Colon	1.00
Colombia	Peso	1.00	Niger	CFA Franc	1.00
Comoros	CFA Franc	1.00	Nigeria	Naira	1.00
Congo	CFA Franc	1.00	North Macedonia	Denar	1.00
Congo (Kinshasa)	CFA Franc	1.00	Norway	Krone	1.00
Congo (Brazzaville)	CFA Franc	1.00	Oman	Rial	1.00
Costa Rica	Colon	5.00	Pakistan	Rupiah	1.00
Cote d'Ivoire	CFA Franc	1.00	Panama	Balboa	1.00
Croatia	Kuna	1.00	Paraguay	Guarani	1.00
Cuba	U.S. \$	1.80	Peru	Int. Soles	1.00
Cyprus	Pound	1.00	Romania	Leu	1.00
Czech Republic	Koruna	1.00	Russia	Ruble	1.00
Dominican Republic	Peso	1.00	Saudi Arabia	Riyal	1.00
Dominica	Dollar	2.00	Senegal	CFA Franc	1.00
Dominican Republic	Peso	1.00	Seychelles	Rupiah	1.00
Dominica	Dollar	2.00	Sierra Leone	Leone	1.00
Dominican Republic	Peso	1.00	Singapore	Dollar	1.00
Dominica	Dollar	2.00	Slovakia	Koruna	1.00
Dominican Republic	Peso	1.00	Slovenia	Tolar	1.00
Dominica	Dollar	2.00	South Africa	Rand	1.00
Dominican Republic	Peso	1.00	South Korea	Won	1.00
Dominica	Dollar	2.00	Spain	Peseta	1.00
Dominican Republic	Peso	1.00	Sweden	Krona	1.00
Dominica	Dollar	2.00	Switzerland	Franc	1.00
Dominican Republic	Peso	1.00	Taiwan	Dollar	1.00
Dominica	Dollar	2.00	Tanzania	Shilling	1.00
Dominican Republic	Peso	1.00	Thailand	Baht	1.00
Dominica	Dollar	2.00	Togo	CFA Franc	1.00
Dominican Republic	Peso	1.00	Tonga	Pangalo	1.00
Dominica	Dollar	2.00	Trinidad and Tobago	Dollar	1.00
Dominican Republic	Peso	1.00	Tunisia	Dinar	1.00
Dominica	Dollar	2.00	Turkey	Lira	1.00
Dominican Republic	Peso	1.00	Turkmenistan	Mansat	1.00
Dominica	Dollar	2.00	Uganda	Shilling	1.00
Dominican Republic	Peso	1.00	Ukraine	Hryvnia	1.00
Dominica	Dollar	2.00	United Arab Emirates	Dirham	1.00
Dominican Republic	Peso	1.00	United Kingdom	Pound	1.00
Dominica	Dollar	2.00	United States	Dollar	1.00
Dominican Republic	Peso	1.00	Uruguay	Peso	1.00
Dominica	Dollar	2.00	Uzbekistan	Som	1.00
Dominican Republic	Peso	1.00	Venezuela	Bolivar	1.00
Dominica	Dollar	2.00	Vietnam	Dong	1.00

Austria	Schilling	11.73	Chad	Dinar	20.00
Azerbaijan	Manat	1,95.00	Philippines	Peso	21.10
Bahamas	Bahama \$	1.00	Poland	Zloty	2.10
Bahrain	Dinar	0.3749	Portugal	Escudo	310.00
Banarctic Islands	Swedish Krona	132.34	Romania	Leu	16.50
Bangladesh	Taka	31.10	Saudi Arabia	Riyal	3.641
			Senegal	CFA franc	5.551
			Singapore	Dollar	1.00
			Slovakia	Koruna	1.00
			Slovenia	Denar	1.00
			Spain	Peseta	166.64
			Sweden	Krona	4.6656
			Switzerland	Franc	2.00
			Taiwan	New Dollar	2.00
			Thailand	Baht	5.551
			Turkey	Lira	1.00
			Ukraine	Hryvnia	1.00
			United Kingdom	Pound	1.00
			United States	Dollar	1.00
			Vietnam	Dong	2.00
			Yugoslavia	Dinar	1.00

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Cameroon	C.F.A. Franc	282.56	Kenya	Australian \$	1.444	Solomon Islands	Dollar	1.00
Canada	Canadian \$	1.311	Korea (North)	Won	0.94	South Africa	Rand	120.00
Cayman Islands	Spanish Peseta	112.94	Korea (South)	Won	797.50	Sierra Leone	Siilling (L)	1.00
Cape Verde Islands	Cape V Escudo	72.326	Kuwait	Kuwait Dinar	0.7777	South Africa	Rand	1.00
Ceylon Islands	Ceylon Liras	0.895				Spain	Peseta	112.94
Costa Rica	C.F.A. Franc	282.56	Laos	New Kip	300.00	Spanish Ports in W Africa	Spanish Peseta	112.94
Czech. Rep. Republic	Czech. Koruna	20.361	Lebanon	L.L.	450.00	St. Lucia	Dollar	30.516
			Liberia	L.L.	2.003			

China	282.25			
Colombia	259.58			
Costa Rica	232.35			
Cuba	66.75			
Czech Rep. of	2,733.5			
Dominican Rep.	259.58			
Ecuador	282.25			
El Salvador	259.58			
France	2,733.5			
Germany	2,733.5			
Greece	2,733.5			
Hong Kong	2,733.5			
India	2,733.5			
Indonesia	2,733.5			
Italy	2,733.5			
Japan	2,733.5			
Korea	2,733.5			
Malaysia	2,733.5			
Mexico	2,733.5			
Netherlands	2,733.5			
Norway	2,733.5			
Poland	2,733.5			
Portugal	2,733.5			
Romania	2,733.5			
Saudi Arabia	2,733.5			
Spain	2,733.5			
Sweden	2,733.5			
Switzerland	2,733.5			
Taiwan	2,733.5			
Thailand	2,733.5			
Turkey	2,733.5			
U.S.	2,733.5			
U.K.	2,733.5			
U.S.S.R.	2,733.5			
Yugoslavia	2,733.5			

Cyprus	Cyprus	5.183	Serbia	3.560
Czechoslovakia	Kosovo	5.40	Slovakia	3.925
			Slovenia	29.59
			Somalia	75.352
			South Africa	25.47
			Spain	1.444
			Sweden	3.64
			Switzerland	3.64
			Taiwan	3.64
			Tanzania	3.64
			Thailand	3.64
			Togo	3.64
			Tonga	3.64
			Turkey	3.64
			Uganda	3.64
			Ukraine	3.64
			United Kingdom	3.64
			United States	3.64
			Yemen	3.64
			Zambia	3.64
			Zimbabwe	3.64

Examiner	Stere	250.00	Marshall	Marshall repov	10.00	Urdu	2.70
		511.50	Mexico	Mexican Penn	1,076.00	Urdu & Galien Islands	966.945
Egypt	Pound (a)	0.70	Miguelon	Local Franc	5.63	Urdu	1.444
	Pound (b)	2.128	Moscow	French Franc	5.63	New Shilling U	59.723
El Salvador			Moscow	United States	5.63	Dollar	5.673
Equatorial Guinea		292.55	Moscow	E. Caribbean \$	2.70	United Kingdom	5.673
Ethiopia		2.07	Moscow	Dollar	2.70	United Kingdom	5.673
						Penn (a)	26.25

Polynesian Islands	Falklands E	1,799.5	Macaronesia	Mexical	40,000	USSR	Abkhaz	0.6017
Faroe Islands	Danish Kroner	5,412.5	Scandinavia	S.A. Rand	1,962.3	Yamalo	Yana	104.593
Fiji Islands	Fiji \$	1,499.7	Neep Islands	Australian \$	1,444	Vatican	Urvi	122.63
Finland	Finland	4,003.5	Nepal	Nepalese Rupee	21.00			
France	France	6,551	Netherlands	Guilder	1,873.6	Venezuela	Bolivar	14.50
French City in Africa	C.F.A. Franc	282.85	Netherlands Antilles	Antillian Guilder	1.79			17.95
			N.M.Z.		1.5936			21.95

French Guiana	C.F.A. Franc	50.15			
French Pacific Islands	C.F.P.F. Franc	282.35			
Gabon	C.F.A. Franc	282.35			
Germany	DM	7.44			
Germany (East)	Eastmark	1.6457			
Germany (West)	Deutsche Mark	1.6457			
Ghana	Cedi	1.2000			
Greece	Drachma	200.00			
Guatemala	Quetzal	70.00			
Haiti	Gourde	219.00			
Hong Kong	Dollar	100.00			
Hungary	Forint	100.00			
India	Rupia	100.00			
Indonesia	Rupia	100.00			
Iran	Rial	10.00			
Israel	Sheqel	10.00			
Italy	Lira	100.00			
Japan	Yen	100.00			
Kenya	Shilling	100.00			
Laos	Kip	100.00			
Lebanon	Pound	100.00			
Libya	Dinar	100.00			
Malaysia	Ringgit	100.00			
Mexico	Peso	100.00			
Morocco	Dirham	100.00			
Nicaragua	Corbala	100.00			
Netherlands	Guilder	100.00			
Niger	CFA Franc	282.35			
Nigeria	Naira	1.0000			
Poland	Zloty	100.00			
Portugal	Escudo	100.00			
Romania	Leu	100.00			
Russia	Ruble	100.00			
Saudi Arabia	Riyal	100.00			
Senegal	CFA Franc	282.35			
Sierra Leone	Leone	100.00			
Singapore	Dollar	100.00			
Slovakia	Koruna	100.00			
Slovenia	Tolar	100.00			
Somalia	Shilling	100.00			
South Africa	Rand	100.00			
South Korea	Won	100.00			
Spain	Peseta	100.00			
Sri Lanka	Rupia	100.00			
Swaziland	Lilangeni	100.00			
Sweden	Krona	100.00			
Switzerland	Franc	100.00			
Taiwan	New Dollar	100.00			
Tanzania	Shilling	100.00			
Thailand	Baht	100.00			
Togo	CFA Franc	282.35			
Tonga	Pangloss	100.00			
Turkey	Lira	100.00			
Uganda	Shilling	100.00			
Ukraine	Hryvnia	100.00			
United Kingdom	Pound	100.00			
United States	Dollar	100.00			
Uruguay	Peso	100.00			
Vietnam	Dong	100.00			
Yemen	Rial	100.00			
Zambia	Kwacha	100.00			
Zimbabwe	Dollar	100.00			

_____	Cad	174.00	Norway	Norwegian Krone	6.4035	Zaire Republic	Zaire	128.00
Gibraltar	Gibraltar £	1.7955				Zambia	Kwacha	0.0251
_____	Isaacan	131.00	Open Solomon of _____	Mal Dollar	0.395	Zimbabwe	Dollar	1.6666

a. Net available. b. Market rate. c. US dollars per 100 local currency unit. d. Parallel rate. e. Official rate. f. Floating rate. g. Commercial rate. h. Prepayment. i. Controlled. j. Financial drive.
 Prepayment rates. k. Net essential imports. l. Floating market rate. m. Public construction rate. n. Agricultural products. o. Priority rate. p. Essential imports. q. Exports. r. Consumption. s. 67-Bid drive.
 r. Export. 70%. t. Temporary. 11-87. Port development by an average 5%. u. Temporary. 17 Nov 87-Bid drive by an average 24.5%.

EUROPEAN OPTIONS EXCHANGE

Series	Vol	Low	High	Sett	Open	Close	Sett
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
GOLD C	1,465	12.50	12.50	12.50	12.50	12.50	12.50

Series	Vol	Low	High	Sett	Open	Close	Sett
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50
ABN C	1,465	12.50	12.50	12.50	12.50	12.50	12.50

TOTAL VOLUME IN CONTRACTS: 10,190

A:Ask B:Bid C:Call P:Put

BASE LENDING RATES

Bank	Rate	Bank	Rate	Bank	Rate
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%
ABN Bank	10.00%	ABN Bank	10.00%	ABN Bank	10.00%

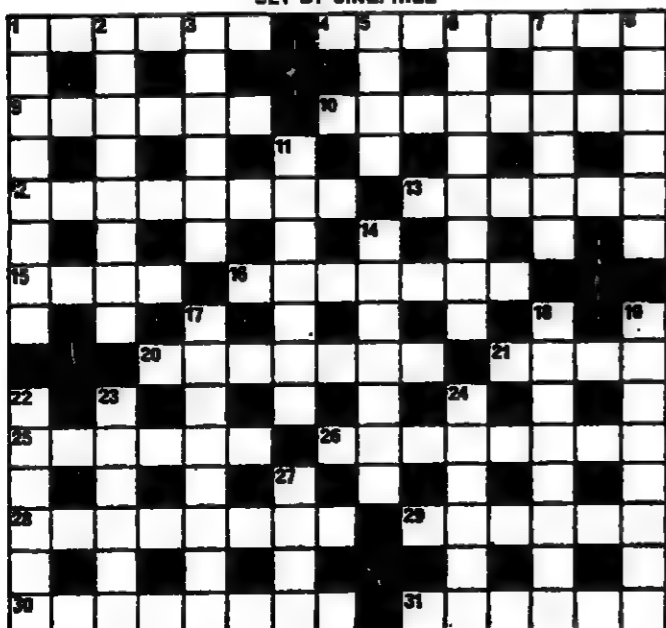
TURKISH BANKING & INDUSTRY

The Financial Times proposes to publish this survey on
WEDNESDAY 16TH DECEMBER 1987
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Mr. Sergio Costante
 Tel: 5221304/5277084
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 Vakıf Yalilikosku Han,
 Kat 3 No. 301 Sirkeci, Istanbul.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT CROSSWORD No.6,493

SET BY CINEPHILE



It has the same meaning in all the across clues

- ACROSS**
- 1 H has sense about indefinite numbers (5)
 - 4 H is a sailor wearing a bit of cloth (8)
 - 9 H is silver in deep attachment (6)
 - 10 H is to sell, entering actual return (5)
 - 11 H sounds like some school time for schoolboy hero (8)
 - 13 H for a hundred swans (6)
 - 15 H will make money (4)
 - 16 H for discussion outside society (7)
 - 20 H makes rings round president with a deficiency (7)
 - 21 H died in poor health (4)
 - 25 H makes speculation about vase (6)
 - 26 H finding French never many (8)
 - 28 H, recommended to Biblical physician, treated flesh with milled ale (4-6)
 - 29 H for horse (6)
 - 30 H inverted ship for girl or girls (8)
 - 31 H, sweet girl, sweet in part of Clyde (6)
- DOWN**
- 1 End of match 40 hours a week? (4-4)
 - 2 Greek battlefield for lamb stew and love (6)
 - 3 Young bird of uncertain age gets handicapped (8)
 - 5 Departing from a style? (4)
 - 6 Resounded right with Common Market weeds (2-6)
 - 7 Leave prima donna for bare rider (6)
 - 8 The wicked get gold in the home (2-4)
 - 11 Spanish gentleman concealed gaiety (7)
 - 14 Split, see below (7)
 - 17 Common meat after singular vegetable? (8)
 - 18 Tune for church service (3,6)
 - 19 Polly was awful bore in cricket or theatre (4,4)
 - 22 A vehicle for the queen's adverse critics? (6)
 - 23 Girl changed places for dishes (6)
 - 24 Emperor gets 1 for off from oranges (6)
 - 27 Just a bit of fun? (4)

GRAFFITI STREAM
 E N U R E G O
 NIGHTJAR CANYON
 O L I N R P A
 EYEGLASS EDITOR
 R R E I A U C
 STAGECOACH
 A S S I G N I V
 P E T I T F O U R S
 P O R T N E I H M B
 E X P E R I E N C E
 T P E S I R A
 I T A L I A N P I E R C I N G
 Y G N V D N L
 E M E R G E D E T O N A T E

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Trust Name	Manager	Assets	Units	Price
ABN Unit Trust	ABN Bank	£100m	100,000,000	1.00
ABN Unit Trust	ABN Bank	£100m	100,000,000	1.00
ABN Unit Trust	ABN Bank	£100m	100,000,000	1.00
ABN Unit Trust	ABN Bank	£100m	100,000,000	1.00
ABN Unit Trust	ABN Bank	£100m	100,000,000	1.00
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Jahangir

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[illegible]

مكرر عن الأصل

[illegible]

LONDON SHARE SERVICE

INSURANCES - Contd									
1297	1298	1299	1300	1301	1302	1303	1304	1305	1306
1307	1308	1309	1310	1311	1312	1313	1314	1315	1316
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1367	1368	1369	1370	1371	1372	1373	1374	1375	1376
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1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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2117	2118	2119	2120	2121	2122	2123	2124	2125	2126
2127	2128	2129	2130	2131	2132	2133	2134	2135	2136
2137	2138	2139	2140	2141	2142	2143	2144	2145	2146
2147	2148	2149	2150	2151	2152	2153	2154	2155	2156
2157	2158	2159	2160	2161	2162	2163	2164	2165	2166
2167	2168	2169	2170	2171	2172	2173	2174	2175	2176
2177	2178	2179	2180	2181	2182	2183	2184	2185	2186
2187	2188	2189	2190	2191	2192	2193	2194	2195	2196
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2237	2238	2239	2240	2241	2242	2243	2244	2245	2246
2247	2248	2249	2250	2251	2252	2253	2254	2255	2256
2257	2258	2259	2260	2261	2262	2263	2264	2265	2266
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2547	2548	2549	2550	2551	2552	2553	2554	2555	2556
2557	2558	2559	2560	2561	2				

Gilt-edged and equities trade in listless fashion ahead of Wall St. holiday

er. † Allotment price in Unlisted securities market of
third market.

issued in connection with reorganisation merger or takeover. † Allowance price. ‡ Unlisted securities market. § Official London listing. ¶ Including warrants entitlement. * Third Market.

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FINANCIAL TIMES
Europe's Business Newspaper

WORLD STOCK MARKETS

AMERICA

Janet Bush in New York looks across the dinner table at the future for the markets

Crash sours fruits of Thanksgiving

Wall Street

THANKSGIVING is an annual extravaganza of eating, drinking and making merry for millions of hard-working Americans, and an opportunity to celebrate the fruits of the world's largest economy.

This year, however, between mouthfuls of roast turkey and pumpkin pie, there will be moments of sober reflection on whether things will ever be the same after the October crash.

Many of those at the sharp end of the financial industry have lost their jobs and others are fearful of more than just losing their usual bumper annual bonuses. Ordinary Americans, too, reading sombre predictions of a recession just around the corner, are worried that improving conditions in the labour market could reverse.

Opinion is divided and very tentative on what the crash will signify for the US economy and that means a period of uncertainty for the equity market. Part of the problem is that little evidence is yet available from official figures of how various leading indicators of economic activity have performed since the crash in late October.

What has become clear in the bemused weeks following the collapse, which have seen shares drift down but more often sideways - is that the economy was growing strongly before equities plunged. Third quarter GNP and the CPI, a measure of inflation, were both revised upwards substantially. In October, while stock prices crashed, payroll employment rose by 549,000, the best monthly performance since September 1983.

October's personal income and consumption figures gave no clear picture. Income rose strongly but was distorted by large farm subsidies. Consumption was unchanged. November's figures are regarded as all-important for the first signs of any



A wing and a prayer: investors await the outcome of President Reagan's budget deal

Impact from the crash.

Points of view are many and varied. There are, of course, many (most notably the US Treasury) whose main concern is the possibility of an asset crash-induced recession. The arguments for this scenario are well rehearsed. However, there are dissenting voices from this current orthodoxy.

One of the more colourful views comes from Dr Edward Yardeni, director of economics and fixed income research at Prudential Bache. Pointing out that October's retail sales figures did not appear to have been depressed by the stock market crash, he says: "Ironically, the crash might have boosted retail sales to the extent that many American consumers go shopping when they feel anxious. (It's very therapeutic.)"

Mr Lyle E. Gramley, chief economist of the Mortgage Bankers Association and a former

member of the Federal Reserve Board, points to evidence that consumer spending, airline travel, hotel reservations and property activity are all reported to be close to normal.

He says it may even be possible for the economy to grow faster than it would have done without the crash as the negative effects of the loss of wealth are offset by the boost provided by the abrupt shift to an easier monetary policy. Then, the focus of concern would shift back to inflation from deflation.

Analysis is dominated by a raft of uncertainties both short- and long-term. In the short-term, there are bound to be doubts about whether the budget deficit cutting package will pass through congress successfully and about the details of the tax increases and spending cuts. The priorities of monetary and exchange rate policy are also unclear. Mr James Baker, US

Treasury Secretary, has made it a matter of public record that the Administration would rather see the dollar fall than a recession.

However, there is increasing speculation about the US Federal Reserve's stance. Will the Fed start surreptitiously to tighten monetary policy again, given signs of economic robustness, in order to pre-empt a serious outbreak of inflation after the emergency loosening in policy after the crash. A great deal hinges, of course, on the view the currency markets take of international policy-making and on the performance of the dollar.

Until some of these questions are answered, Wall Street is likely to remain volatile and uncertain. There is a general view that the market can now consolidate but no one is prepared to rule out further temporary setbacks.

Salomon Brothers believes the market will consolidate gently for the rest of this year, showing perhaps limited gains. Salomon believes the stock market decline of 1978 and the closest parallel with the latest fall. Similarities include a long economic expansion, concern about the dollar, and rising interest rates in the run-up to the crash. In the three-month period following the 1978 setback, the market was, as Salomon puts it, "desultory".

Canada

BUILDING ON recent gains, share prices in Toronto posted a solid advance with resource stocks signposting the way upward.

Volume was boosted by a 1m share block of Enco Energy, which has rejected a takeover bid from TransCanada Pipeline. Enco was unchanged at C\$23.50 and TransCanada at C\$24.00. Gold issues and base metal miners climbed again. Noranda gained C\$1 to C\$22.25 and Cominco was up C\$1 to C\$14.40.

ASIA

Large-capitals hold the spotlight

Tokyo

LARGE-CAPITAL issues remained popular in Tokyo yesterday and helped lift share prices slightly higher for the fourth consecutive trading day, but the market lacked vigour and enthusiasm, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei stock average of 225 select issues closed 82.48 higher at 3,232.18. Volume totalled 685.39m shares compared with Wednesday's 617.90m. Rises led declines by 496 to 376, with 141 issues unchanged.

Brokerage houses and investment trusts sought giant-capitals in a bid to lift the market before trading for December delivery starts on Friday.

Nippon Steel headed the most active list with 207.46m shares changing hands and rose ¥5 to ¥444. Kawasaki Steel, the second-biggest issue with 79.75m shares traded, ended at ¥363, unchanged from the previous day. Earlier, it gained ¥3 to a record of ¥365.

Nippon Kokan finished ¥2 higher at ¥350, but Ishikawajima-Harima Heavy Industries and

Mitsubishi Heavy Industries fell ¥7 and ¥5 to ¥860 and ¥634 respectively.

Large-capital chemicals were sought on the strength of the strong yen, lower crude prices and rising demand for ethylene. Sumitomo Chemical was also active and moved ¥24 to ¥334, while Mitsui Toatsu Chemicals closed ¥32 higher at ¥712. Nippon Zeon gained ¥80 to ¥1,140 and Daicel Chemical Industries added ¥36 to ¥710.

In contrast, high-technology stocks were broadly lower. Hitachi shed ¥20 to ¥1,240, Matsushita Electric Industrial lost ¥50 to ¥2,180. NEC was down ¥80 to ¥2,010 and Sony declined ¥120 to ¥4,530.

NTT ended ¥30,000 lower at ¥2,611m, after a selling spree by business corporations.

Power and gas utilities fared poorly. Tokyo Electric Power declined ¥80 to ¥6,380 and Tokyo Gas shed ¥10 to ¥1,080.

There was speculative interest in some lagging issues, such as Shochiku and Inui Steamship which each added ¥180 to ¥3,580 and ¥1,520 respectively.

Bond prices plunged, with the yield on the benchmark 5.1 per cent government bond, maturing in June 1990, rising to 6.00 per

cent from 4.815 per cent at Wednesday's close.

In inter-dealer trading, the yield on the 5.0 per cent bond, due in December 1997, fell to 4.880 per cent at one point but later turned up to reach 4.980 per cent.

Meanwhile, the Finance Ministry and the underwriting syndicate agreed on issue terms for the December long-term government bond, setting the coupon rate at 5.0 per cent and the issue price at par.

On the Osaka Securities Exchange (OSE) prices continued to rise with buying focusing on companies reporting good business results.

The 250-issue OSE stock average closed 29.01 higher at 2,431.24, on an estimated volume of 86.25m shares, down 3.76m shares from the previous day.

Joshin Denki added ¥150 to ¥2,300 and Kurimoto rose ¥80 to ¥1,150, but Rohm dipped ¥140 to ¥4,010.

Australia

GOLD-RELATED scrip forged ahead in response to the higher bullion price, lifting the All Ordinaries index 45.7 to 1,311.5.

Heavyweight Resicon was actively traded, rising 20 cents to A\$8.80, while Newmont put on 15 cents to A\$2.20 and Emperor added 10 cents to A\$2.00.

Among other resource stocks, CRA rose 20 cents to A\$5.80 and Western Mining added 14 cents to A\$6.60. Bell Resources put on 8 cents to A\$1.76 after news it had sold a \$348m stake in Texas.

There was selective interest in

industrial stocks with insurance, investment and banking scrip generally firmer. Alcohol, paper and packaging and entrepreneurial stocks were generally lower.

Singapore

LACK OF INTEREST and continuing uncertainty about the market's direction again kept operators on the sidelines in Singapore, where the Straits Times Industrial Index lost 4.25 to 818.50.

DBS dropped 20 cents to S\$5.88 and OCB fell 15 cents to S\$6.88. Singapore Airlines and Metro both lost 10 cents, to S\$9.10 and S\$8.70 respectively.

Among active stocks Chuan Hin Holdings lost 1.5 cents to 99.1 cents, while City Development dropped 1 cent to S\$2.02.

Hotels, properties and commodities were also slightly lower.

Hong Kong

ANOTHER DAY of featureless trading left Hong Kong mixed, with the Hang Seng index 4.83 lower at 2,179.58.

Among quality stocks, property and utilities posted modest gains, while banks and trading companies were little changed. The consensus was that the market was likely to remain in the doldrums for the next few weeks.

Among properties New World Development gained 20 cents to HK\$7.15, Sun Hung Kai Properties was also 20 higher at HK\$8.70. Hongkong Land rose 5 cents to HK\$7.50 as did Hang Lung Development at HK\$4.70.

Finns warm to company forecasts

BY OLLI VIRTANEN IN HELSINKI

FINLAND came through the stock market crash with very little damage. Share prices on the Helsinki stock exchange are still 34 per cent higher than at the beginning of this year and analysts predict them to rise even further before the end of 1987.

However, the ripple effects of the crash did affect Finland and during the week after Black Monday share prices declined by an average 16 per cent in Helsinki. The total drop before prices began to rise again amounted to 21 per cent. This was a relatively modest dip considering that the United States had seen a 164 per cent rise since the beginning of 1986 to an all-time

high just before the crash. The decline began as foreign investors became anxious to dispose of their marginal shares and sold their holdings back to Finland. Premiums on internationally tradeable free shares via a restricted shares narrowed to almost nothing.

Dealers in London, where most Finnish free shares change hands, praise the Finnish market for being able to handle and assimilate the sell orders.

Several factors helped the market keep a cool head in the midst of the turmoil on world stock markets. Finland is still less influenced by world events than many other coun-

tries and, despite the rapid internationalisation of Finnish companies and deregulation on the financial and capital markets, the country's economy was able to absorb much of the shock.

Foreign investment in Finnish stocks is still rather limited. By some estimates, it is between 5 and 10 per cent of the current market capitalisation of FM76bn (€88bn).

The maximum permissible foreign ownership in Finnish companies, according to a recent law, is 40 per cent of the equity and 20 per cent of the voting stock. But the companies must apply for increases from a previous ceiling of 20 per cent of the

equity. So far no Finnish company is more than 30 per cent foreign owned.

Finland's economy is still in very good shape. GDP is expected to grow by 3.5 per cent this year, almost double the rate in OECD Europe. Inflation is expected to be raised in to 3.7 per cent while unemployment at 5 per cent is considerably less than the OECD average.

Furthermore, the markka, Finland's currency, is now strong. And, as Mr Hannu Hietanen, chief economist of KOP bank points out, foreign investors value the low government debt, which is 15 per cent of GDP, and the balance of payment deficit, which stands at 2 per cent of GDP.

EUROPE

Frankfurt focuses on poor results

London

TRADING in European bourses dropped to a snail's pace yesterday as the Thanksgiving holiday in the US financial markets deprived investors of one of their most important influences of recent weeks.

FRANKFURT found some interest in a raft of important corporate results, which first depressed the market and then sparked a round of bargain-hunting. The Commerzbank index reflected the midseason blues with a fall of 24.4 to 1,342.2, but as the close the Boersen-Zeitung index was down only 2.31 at 284.64.

In very thin trading, the drop in profits at Dresdner Bank and Commerzbank and the skimpy rise in IASF's figures provided the main focus of attention. Dresdner finished DM4 lower at DM233.50 and Commerzbank off 80 pf at DM228.80 on Wednesday.

AMSTERDAM had a lacklustre day, dispirited by the US holiday and slightly lower dollar. With most investors sidelined, the CSE all-share index lost 1.1 to 66.1.

Among the international, Unilever shed 30 cents to F1 106.90 after saying it was selling a 25 per cent stake in its German subsidiary Deutsche Unilever to a consortium led by Deutsche Bank.

Insurer Amey lost F1 1.60 to F1 99.20 after reporting lower nine month profits and revising its full-year forecast downwards.

ZURICH edged higher in bargain-hunting, electrical Siemens picked up from a bid start to finish just DM1 off at DM388.50. In a quiet session, bonds lost up to 50 points amid profit-taking by dealers expect-

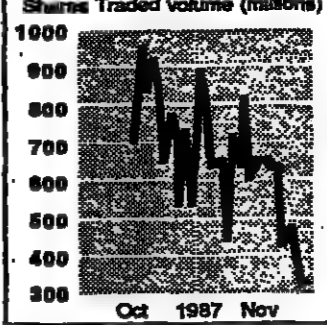
ing an imminent cut in the discount rate. The Bundesbank bought DM75.3m worth of paper after buying DM128.8m on Wednesday.

UK SECURITIES markets were left to drift in the absence of Wall Street trading and with the dollar in limbo. The FTSE 100 index finished 3.4 lower at 1,460.77.

A rare feature was a fresh rise in shares of Pearson, the banking and publishing house and owner of the Financial Times, which gained 41p to 666p as a single purchase of 500,000 shares reawakened speculative interest.

London Stock Exchange

Shares Traded volume (millions)



Ebas losing BF106 to BF4,490 as Electra picked up BF100 to BF5,600. Holdings showed little movement on the day, as Reserve edged down BF5 to BF2,395 and GBL finished BF20 lower at BF2,540.

MILAN posted its fourth consecutive advance as interest in Montedison and Mediobanca widened up an otherwise lacklustre session.

The MIB stock index advanced 1.39 per cent to 717. Merchant bank Mediobanca climbed L7,750 to L215,550 or 3.6 per cent as speculation mounted over its privatisation.

Montedison slipped L30 to L1,535 amid rumours that controlling shareholder Ferruzzi was seeking to remove the company chairman.

Blue chips were broadly firmer. STOCKHOLM slipped lower in subdued trading as investors kept away awaiting the outcome of key wage talks. Blue chips were modestly lower across the board.

MADRID turned mixed as banks and engineers advanced against a generally lower backdrop. The general index inched up 0.06 to 212.54 in quiet trade.

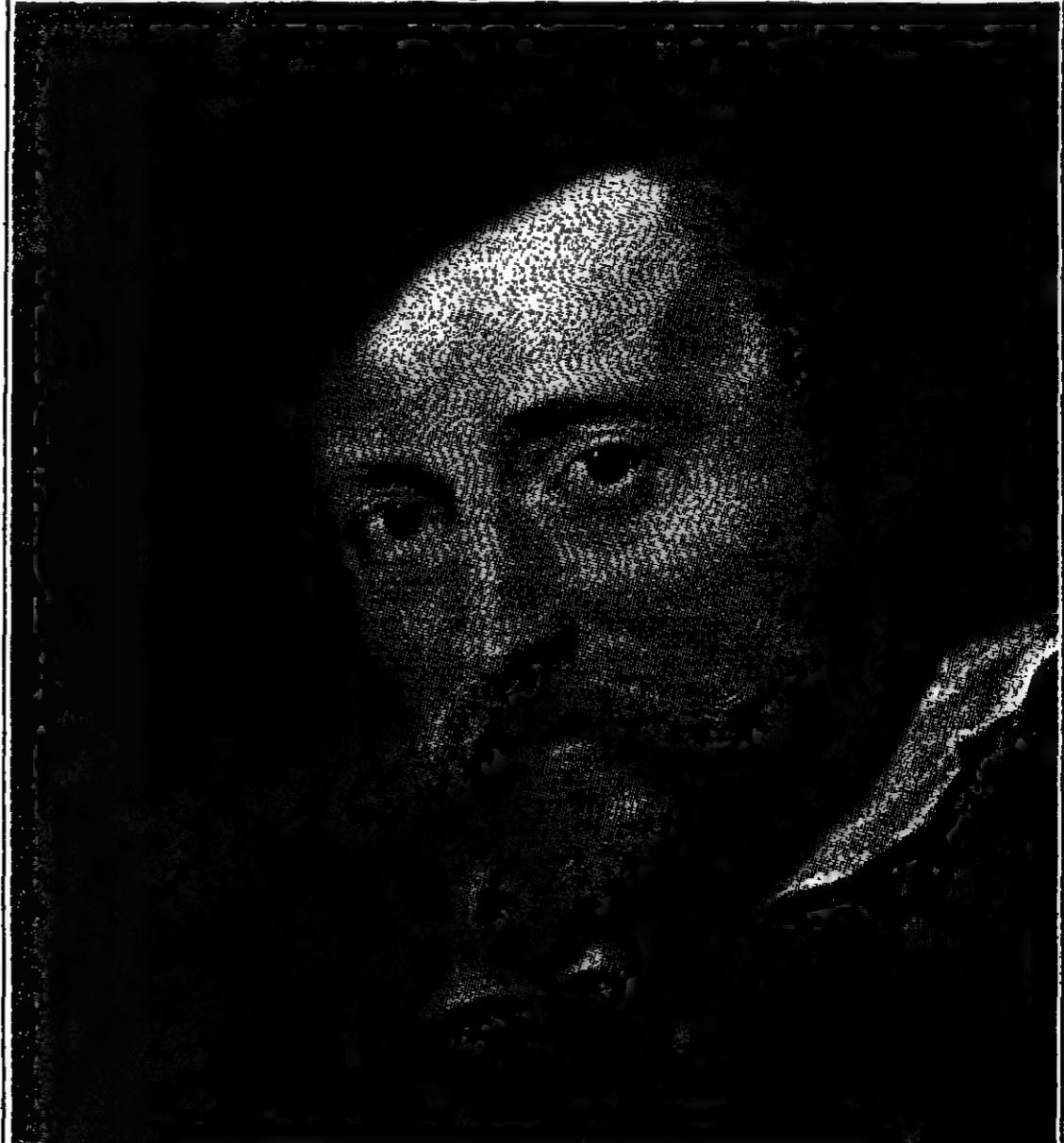
Banks continued to rise sharply as takeover speculation lifted prices.

OSLO lost ground as worries over North Sea oil prices resurfaced and pulled the all-share index 5.75 lower to 263.20 in moderate trade.

Saga Petroleum fell NK7 to NK65 and Norsk Hydro dropped NK250 to NK435.40.

HELSINKI inched quietly higher with modest gains in all sectors.

Peter Paul Rubens, Belgian painter "Rubenshuis" Antwerp.



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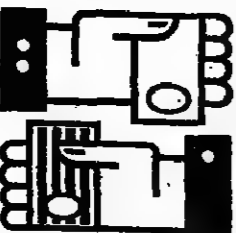
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FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 25 1987					TUESDAY NOVEMBER 24 1987					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)		
Figures in parentheses show number of stocks per grouping													
Australia (89)	98.64	+3.9	81.47	94.08	4.31	94.95	79.42	91.89	180.81	85.80	89.36		
Austria (116)	92.98	+1.3	76.79	88.35	2.56	81.37	88.23	102.87	85.53	94.86	94.86		
Belgium (48)	102.69	+1.3	84.82	88.76	5.29	101.33	84.76	88.46	134.89	96.19	94.25		
Canada (127)	105.09	+1.2	86.80	99.72	3.09	103.81	86.83	98.81	141.78	96.15	98.79		
Denmark (28)	111.11	+1.8	91.77	97.17	3.01	109.14	91.29	96.56	124.83	98.18	95.57		
France (120)	86.91	+0.9	71.79	77.13	3.32	86.13	72.04	77.25	121.82	77.59	98.08		
West Germany (93)	77.47	+1.0	63.99	67.36	2.80	76.71	64.17	67.30	104.93	68.91	97.40		
Hong Kong (46)	84.24	+2.4	69.57	84.21	5.82	82.23	68.78	82.26	128.68	75.82	81.86		
Ireland (14)	103.54	+0.4	85.52	91.56	4.91	103.16	86.29	92.12	160.22	96.20	91.88		
Italy (94)	78.56	+2.7	64.89	71.94	2.63	76.53	64.61	70.67	121.21	72.06	98.78		
Japan (457)	140.89	+2.5	116.36	118.96	0.58	137.45	114.97	117.75	161.28	100.00	90.63		
Malaysia (36)	103.27	+0.8	85.30	99.15	3.67	102.46	85.70	98.44	129.64	96.24	100.47		
Mexico (14)	146.24	+0.5	120.79	331.78	0.88	147.62	122.97	241.57	422.99	99.72	91.73		
Netherlands (37)	97.12	+0.5	80.21	83.26	5.94	97.16	81.57	84.63	131.41	87.70	98.31		
New Zealand (23)	78.56	+2.2	64.88	66.40	4.77	76.86	64.28	65.57	138.99	75.99	96.54		
Norway (24)	107.98	+1.2	89.18	93.94	2.88	106.68	89.23	93.64	185.01	96.03	104.64		
Singapore (27)	97.55	+0.3	80.57	91.58	2.62	97.26	81.36	91.11	174.28	90.19	99.98		
South Africa (61)	134.20	+2.0	110.88	90.98	4.69	131.59	110.06	89.90	198.09	100.00	96.62		
Spain (43)	119.88	+1.1	99.01	101.81	3.87	116.29	97.27	100.21	168.81	100.00	90.25		
Sweden (34)	101.96	+2.0	84.21	90.98	2.49	99.56	83.61	89.93	126.64	88.50	99.48		
Switzerland (53)	81.53	+0.7	67.34	69.27	2.97	80.94	67.70	69.52	111.11	73.65	97.01		
United Kingdom (332)	121.40	+0.0	100.27	100.27	4.52	121.43	101.57	101.57	182.87	94.65	93.27		
USA (552)	99.50	-0.9	82.18	91.50	3.70	100.32	83.96	100.38	137.42	82.83	102.81		
Europe (446)	99.71	+0.6	82.36	84.97	3.80	99.07	82.87	85.44	130.02	82.25	93.56		
Pacific Basin (678)	137.12	+2.5	113.26	117.68	1.78	133.74	111.87	115.47	138.71	100.00	90.69		
Asia-Pacific (1620)	122.19	+1.0	100.92	104.63	1.81	119.91	103.50	103.50	143.65	100.00	92.62		
North America (709)	99.79	-0.8	82.42	99.53	3.67	100.56	84.11	100.31	137.55	93.20	102.60		
Europe Ex. UK (614)	86.25	+1.2	71.24	75.45	3.36	85.20	71.26	75.38	111.97	78.99	95.73		
Pacific Ex. Japan (223)	91.61	+3.0	75.67	87.87	4.71	89.94	74.39	85.65	164.03	83.17	92.88		
World Ex. US (1826)	121.74	+1.9	100.55	104.67	1.88	119.49	99.95	103.25	143.38	100.00	92.88		
World Ex. UK (2076)	112.32	+1.0	92.77	103.12	2.28	111.18	93.00	102.51	139.82	100.00	97.09		
World Ex. So. Afr. (2347)	112.98	+0.9	93.38	102.86	2.48	111.95	94.41	102.46	138.47	100.00	96.74		
World Ex. Japan (1953)	99.82	-0.1	82.45	94.04	3.80	99.94	83.59	94.38	132.22	95.64	99.68		
The World Index (2408)	113.12	+0.9	93.43	102.81	2.50	112.08	93.75	99.39	139.73	100.00	96.74		

FINANCIAL TIMES SURVEY



Following a rapid extension in the uses of plastic cards, the UK market is now paused for a breathing space.

Credit and charge cards will be seeking new niches but the fastest growth is expected from a comparative newcomer, the debit card. **Hugo Dixon** gives the reasons

The choice grows wider

THE CREDIT card market is a mature market. There may be room for exponential growth in the penetration of credit cards in countries like Latin America and Asia. There is certainly room for many more credit cards in countries like Germany, where the banks have been fighting a rearguard action against them.

However, in Britain, we are now in the consolidation phase. This year Britain's Barclaycard, dominant in the issue of Visa credit cards, celebrated its 21st birthday. Access, Britain's other main credit card issuer, celebrated its 15th anniversary.

There are now 18.1m Visa cards in issue in Britain and 10.7m Access cards, up from about 4m each in 1978. Five per cent of consumer expenditure is undertaken by credit card, according to 1984 figures, compared with 43 per cent by cash, 29 per cent by cheque and 23 per cent by other means.

There is therefore still some room for expansion both in the number of credit cards held by individuals and, more obviously, in the proportion of their expenditure carried out by credit card.

However, it seems equally clear that the credit card is already well established. The challenge of the future for credit card companies will be to find strategies for dealing with new

competitors, for exploiting niche markets, adapting to new technology and dealing with government scrutiny.

The next stage of really exponential growth is likely to occur not in the credit card market, but in the debit card market. Debit cards are like credit cards except that purchases made with them are debited to a customer's current account instead of being stored until the end of the month and sent in a separate bill.

The functional role of debit cards is therefore much more like that of cheques or cash - you cannot get credit on them. It is because of this similarity with cheques and cash that they are seen as the main electronic replacement for the 72 per cent of consumer expenditure that is undertaken by these means.

In this role, debit cards will be used in electronic terminals to buy goods in shops, restaurants and petrol stations. Technologically, credit cards could be used in precisely the same way and they probably will - only not to the same extent.

This may seem odd: Why should consumers use a credit card if they could use a debit card and benefit from not having to pay for their bill for a month or more?

There are two answers. First, although there is a marginal cash-flow advantage from using a credit card, there is also a major administrative headache. If you try to work out your finances during a particular month, you cannot just look at your bank statement, because this includes a credit-card bill relating to the previous month.

The best you can do is wait for the next credit-card bill, subtract it from this month's statement and add back the amount spent on credit cards the month before. Even this is not entirely satisfactory, since the dates of the bank and credit card statements are unlikely to be a perfect match.

By contrast, if you use a debit card, payments will be deducted from your bank account. There will be one statement, not two,

and it will be easier to monitor expenditure. A second reason debit cards may catch on is that the changing structures of debit and credit cards may start diverging. It is in the interests of financial institutions that their cardholders pay them earlier rather than later - that they use their debit cards, not their credit cards - so they may offer some price incentive to customers to pay in this way.

The most logical way to proceed would be as follows. For administrative convenience, plastic cards should be linked with a bank account. However, if anybody needs credit, he should be able to get it on an overdraft facility.

In banking, however, logic often takes many years to work itself through. At the moment, there is only one fully-fledged debit card in Britain - Barclays Bank's Connect card - and it is too early to say precisely how the dynamics of the market will develop.

Several lessons, however, can be drawn from Connect's traumatic launch. First, Britain's retailers will not be an easy push-over.

The advantage of electronic cashless shopping is that there should be considerable cost savings and benefits. Retailers understandably want their share of these savings and the fight they put up over the charging structure Barclays was originally proposing for Connect shows their determination.

Barclays wanted to charge the same rate that it charges for credit card transactions. The retailers argued successfully that, since Connect was designed to replace cheques, they should pay a fee that was equivalent to the much lower charges they paid for cheque clearing.

The retailers waged a similar battle against Vector, a card launched by Midland Bank in May. Vector was a hybrid - a mixture between a charge card and a debit card.

The retailers took objection to it because it was branded with the Mastercard logo and Midland was planning to charge them the same rates it charged for credit card transactions. They saw it as a replacement for cheques and so wanted lower charges. Their opposition proved so vociferous that Midland was forced to with-

draw the card in June. The second lesson to be drawn from the Connect saga is that it is likely that electronic cashless shopping in Britain will be a closed clearing system with insufficient competition, like the credit card industry, in spite of the lip service which is still being paid to the idea of an open competitive system.

Connect was launched under the Visa logo. This means that any systems which Barclays develops to back it up will be automatically open to all Visa cards, but to other plastic cards only by arrangement.

Lloyds Bank is due to launch its own debit card, also under the Visa brand name, next year. These two moves, which may be followed by other banks, undermine the nationwide cashless shopping scheme being planned by Eftpos UK, which is intended to be open and fully competitive. It is too early to say how badly damaged Eftpos UK, which does not even start its trials until the end of next year, will be.

At the moment, however, we are still largely in the world of the credit card, not the debit card. And the immediate challenge credit card companies face is of proving to the Monopolies and Mergers Commission that their industry is sufficiently competitive.

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In May, Sir Gordon Borrie, Director General of Fair Trading, initiated a probe into the industry, arguing that there was prima facie evidence that it was earning monopoly profits and was not sufficiently competitive. He also said that credit card companies were charging 'excessive' interest rates - at the time the annualised percentage rate charged by most banks was 23.1 per cent compared with a base rate of 9 per cent.

The case for the prosecution is that there are not enough players in the industry; that the two credit card companies which dominate the industry are therefore able to charge both retailers and consumers more than they should; and that, as a result, banks earn a return of about 50 per cent on the capital they employ in the credit card business.

The case for the defence is as follows. First, the figures on return on capital are meaningless, since the credit card business is not capital-intensive. Second, credit card companies do not overcharge consumers or retailers. What seems to be high interest rates are in fact perfectly reasonable when it is realised

that customers can take advantage of an interest-free period of 30 days or more and that there is considerable risk associated with such flexible lending as is available on credit cards.

And third, there is sufficient competition in the industry. There may only be two major credit card companies but, within both Visa and Access, there are several banks competing against one another.

Banks strenuously deny that there is any collusion between them. They point out that, although they often charge the same rate of interest, this could be the sign of a perfectly competitive market, as much as evidence of one characterised by perfect collusion. And they argue that the market is open to any institutions which want to enter it - they just have to be prepared to invest the money.

The Monopolies Commission is now hearing both sides of the argument. It has 18 months in which to report.

In the meantime, however, the industry is moving on. Probably the most important change was the Government's announcement in October that it would amend the 1986 Building Societies Act so that building societies could issue credit cards.

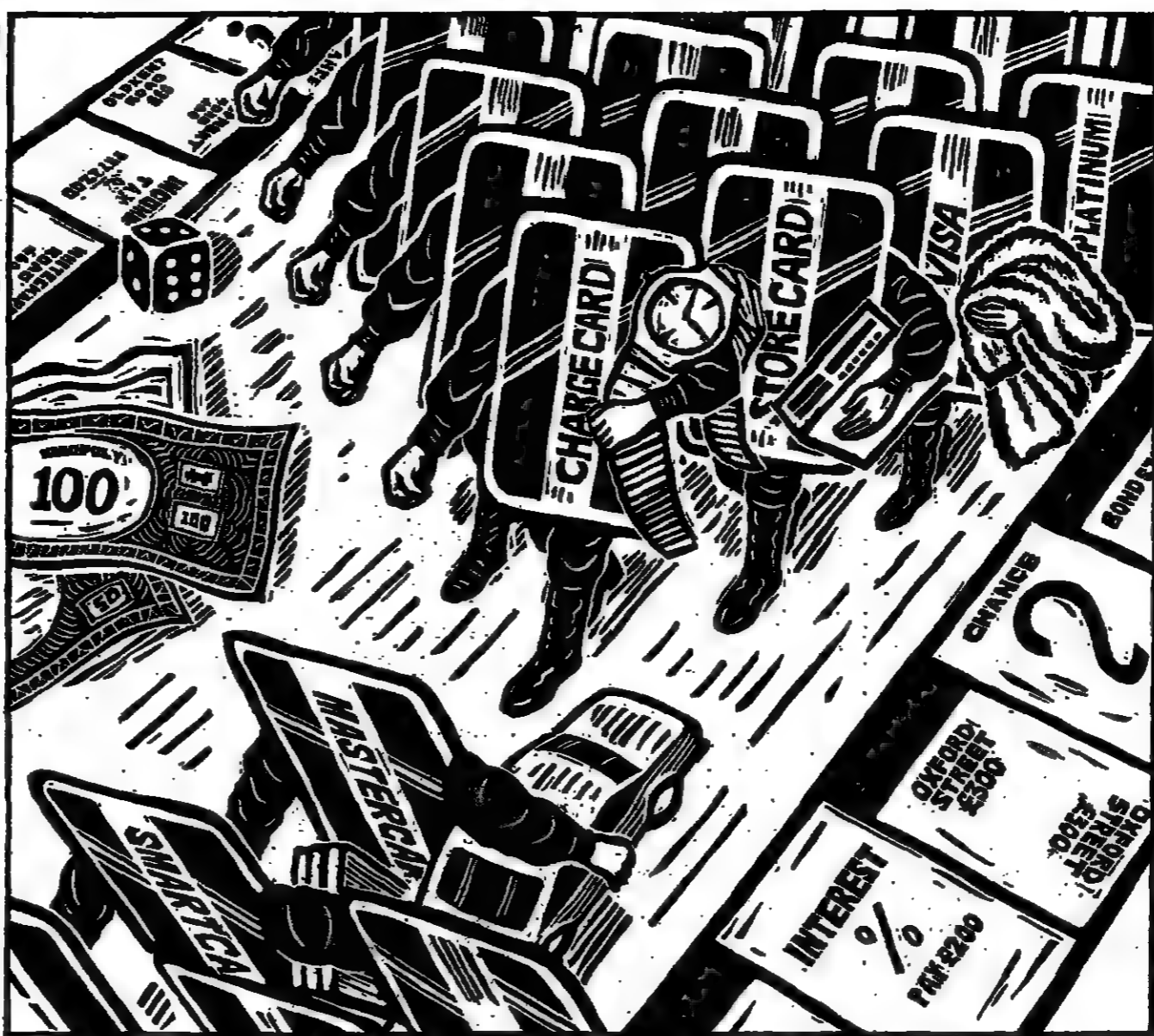
When the Government passed the Act, it had originally intended societies to be able to offer credit cards but, because of a defect in its drafting, it was found that they could not. As a result, Halifax and Abbey National, the two largest societies, had to face the embarrassment of withdrawing motions from their annual general meetings asking members for permission to enter the business.

This legal bar is now to be removed. However, it is far from certain how much more competition this will inject into the industry.

Halifax and Abbey will definitely start offering cards - probably under the Visa logo - but they do not seem to be keen to start a price war.

The nearest thing to a price war has been launched by a comparatively small financial institution - Save & Prosper, the unit trust group. In September, it launched a cut-price credit card, called Classic.

However, although competition is being introduced only gradually into the industry, it is clear that the banks cannot be complacent. They too will probably have to find ways of segmenting the market or they will see niche operators steal their best customers.

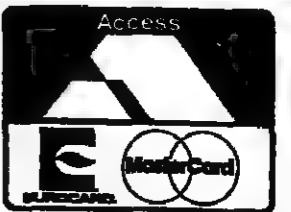


Plastic Cards



"A table for 62,000 please."

Every day in the UK, Access is used to pay more restaurant bills, buy more petrol, more flowers, more airline tickets, more birthday presents ... than any other single brand of credit card. (It's also accepted in over five million outlets around the world.)



Access puts you in control.

PLASTIC CARDS 2

Despite talks of co-operation, MasterCard and

Visa remain fiercely competitive

Global market battle

AMBITIOUS plans recently announced by Europe's top retail banks to make their cash and credit cards compatible within three years should not be taken as indications of a new spirit of international co-operation at the expense of competition, according to major players within the credit card industry.

At Visa International, Mr Jose Ribero de Fonseca, chief general manager for Visa operations in Europe, the Middle East and Africa, is cautious about the scope of co-operation among different payment systems in Europe.

"What was agreed was that different payment systems in Europe should co-operate in areas such as security, standards and network compatibility. But the hypothesis that there should be a European logo to identify this reciprocity has not yet been accepted", he says.

In other words, while the establishment of technological compatibility between systems may be in everyone's interest, the industry is far from developing a new payments system with everyone in it together.

International card issuers are privately scornful of the interest expressed by German banks, for example, in the development of a new electronic payments system with Deutsche Bank leading the way. This is being seen as merely a stalling tactic designed to disguise a current lack of such systems capacity, and to ensure a dominant position for Germany in the development of such a system.

Such allegations are indicative of the fierceness of the competition among international card issuers, and in particular among Visa and MasterCard, the two leading credit card organisations.

Visa cites a growth rate of 62 per cent in the volume of transactions in Europe last year, with 90m cards in issue there out of a global 160m, to support its decision to 'go-it-alone' world-wide, allowing for pockets of co-operation in certain areas.

It has recently experienced two victories in the battle for market share. In August Citicorp, the largest US banking group, announced it was abandoning a 10-year effort to market an independent card and would convert its Choice card to Visa because customers wanted "immediate acceptability, both nationally and internationally."

Citicorp originally launched Choice to bypass the fees banks have to pay to the Visa and MasterCard systems, but analysts

believe it failed to garner enough customers and retailers to cover the high costs of operating the card.

These fees are likely to become an increasingly important contribution to profitability, and member banks of both Visa and MasterCard in the UK cast doubts on reports that the European accord will involve free access to facilities offered by the other banks belonging to the European Council for Payment Systems.

A more recent victory for Visa has been in the UK, where Lloyds Bank last month announced plans to launch a mass-market debit card under the Visa logo. In doing this it became the first British bank to be a member of both Visa and Access.

In June Barclays Bank, Britain's leading issuer of Visa credit cards, launched a debit card called Connect under the Visa logo.

These decisions to issue debit cards under the Visa logo have undermined the credibility of a universal debit card, and clearly pointed to the competition in this new field.

For its part, MasterCard has continued its aggressive marketing strategy, designed to counter American Express and the Sears Discover Card in particular, while stressing the need for co-operation with Visa in certain areas, such as the fight against fraud.

Again, despite talk of co-operation, there is little love lost between the two organisations, and a failed attempt to merge a few years ago looks unlikely to be tried again.

MasterCard claims that a comparison of worldwide figures published by the two card associations for the year ending December 31, 1986 "indicates that the growth in both the number of cards and in gross dollar volume for MasterCard exceeded the comparable growth rates for Visa."

MasterCard also cites success in China, where the Bank of China is preparing to convert its local cards to MasterCard cards. It has signed a long-term contract to create a telecommunications network linking the major cities of China in readiness for the linking of the Bank of China directly to Banknet, MasterCard's advanced packet switching network.

Mr Tony Lee, director and chief executive of Access, the largest member of the MasterCard

family with 11m cards, said that the relationship between MasterCard and Eurocard was getting far closer.

"More and more in Europe one is moving towards plastic, but there are still divisions", he said, referring to the fact that some countries within Europe continue to focus on the paper-based Eurocheque payments system.

Eurocheque has in the recent past been openly criticised by Mr Russell Hogg, president and chief executive officer of MasterCard International, for operating an outdated system in Europe.

Yet Eurocheque holders too, will initially benefit from the new agreement on card compatibility, along with holders of cards with Visa, MasterCard, and Eurocard signs. There are also plans to ally up to proprietary bank cards.

But Mr Lee, like others likely to be affected by the European accord, finds even the three-year target for card compatibility to be "a very tight scale."

For even the achievement of this limited agreement in Europe has had to assume a certain level of technological achievement by the card issuers in question. In the future battle for global market share, Visa and MasterCard are both likely to stress developments in this field.

In search of greater capacity to process transactions, Visa completed its \$40m London-based computer hall, the Visa interchange centre, in June. Until the construction of this centre, all authorisations were carried out from the US, but Visa says it should now cut the time required for each authorisation in half.

Visa argues that its ATMs compute a transaction in 'real time', ie the information goes all the way back to the country of card origin for authorisation. Eurocheque, it claims, operates a system whereby transactions are handled by the local banks which own the ATM concerned, and the international blacklist referred to is inevitably a shortened one.

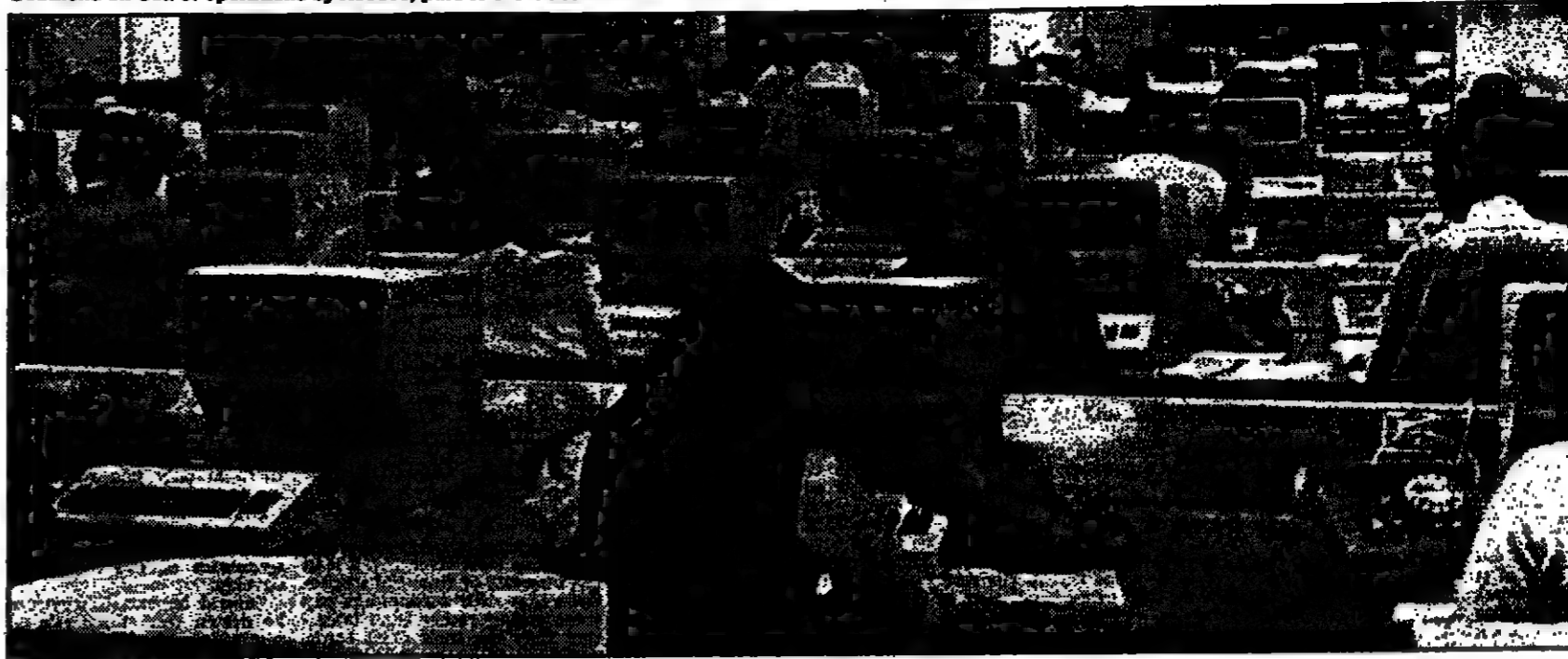
But while the international card organisations continue to slog it out verbally in the international marketplace, their fee-paying member banks are watching their domestic markets carefully to gauge best their next move.

As Lloyds in the UK has just shown, allegiances to credit card organisations need not be exclusive.

Dina Medland



The network management centre of Visa's European operations. Below: the nerve centre at Southend-on-Sea of operations by Access, part of the MasterCard service



Store Cards

Banking on customer loyalty

RETAILERS HAVE latched firmly onto the credit card bandwagon in recent years in the dual search for higher sales and customer loyalty for their products.

In the UK, a proliferation of individual storecards offers the possibility of instant cashless purchases, albeit often at punitive interest rates, should the delayed payment 'credit' option be taken up. (Cards can always, of course, be used as charge cards, where you repay the entire sum due at the end of each billing period, thereby incurring no interest charges).

The ease with which credit cards are obtainable from some department stores has been much criticised in Britain recently, as fears have grown about consumer abilities to repay shopping binges on the high street.

An investigation launched by the Monopolies and Mergers Commission at the end of May into the credit card industry does not include storecards within its scope, however, and there is little reason for retailers to be deterred from entering this marketing arena.

The experience of Sears, Roebuck, long the world's largest retailer, with storecards provides some important clues regarding the potential appeal of entry into this business.

Its long-standing and widely-used storecard SearsCharge provided Sears with infrastructure and credit information which stretched back over the years. These provided considerable cost benefits when the company decided to introduce its multi-purpose credit card Discover into a domestic US market saturated with over 160m bank cards in January 1986.

By initially targeting Discover at the 2m holders of Sears store cards with the best credit records, the company generated an acceptance rate widely estimated at 17 per cent to 27 per cent. This compares with an industry standard of 1.5 per cent to 2.5 per cent.

Discover was placed under the sphere of Dean Witter, the Wall Street brokerage firm which Sears acquired for \$610m in 1981 as part of a bid to diversify into financial services which is becoming increasingly more expensive.

Dean Witter last month reported a loss of \$4.2m for the third quarter this year compared to a year-ago loss of \$8m. Discover Card operations losses grew to \$28.4m a year ago, while the Sears/Roebuck group as a whole posted record third-quarter earnings of \$400m.

Competitive interest rates and the absence of a fee are some of the burdens the Discover card has had to carry, but in return it has assembled an impressive usage rate.

At the end of last year, receivables totalled \$1.27bn on charge volume approaching \$2bn. Cardholders had deposited nearly \$400m in the savings accounts linked to the cards, which have now exceeded 19 million.

Despite the drain on resources, Sears remains committed to the long-term future of Discover Card. It expects the card to move into profitability next year, and



Marks & Spencer, one of the many department stores using their own store card

continues to see an important role for it as an entry into the financial services sector.

On a much more limited scale, retailers in the UK too, are beginning to widen their perceptions of the potential benefits of storecards.

Burtons, the retail chain in the forefront of moves into financial services by retailers, re-launched a dozen of its storecards in April in a move aimed at capitalising on the relationship between a customer and a particular store.

Along with cards for Burton, Debenhams and Harvey Nichols, these include ones for Top Shop, Top Man, Dorothy Perkins, Evans and Principles. The cards are multi-branded, with half the card representing the logo of an individual store, and the other half the 'overbrand' of the customer's personal account, usable at any store in the Burton's chain.

These cards are intended to encourage customer loyalty - the customer is likely to obtain his Burton card from his favourite Burton store, and "it is accepted that a cardholder will spend more and with greater frequency than a non-card-holder" says Mr Chris Chadwick, marketing director.

Benefits associated with the new cards also confer added value, which is necessary to counter customer concern about such things as annual percentage rates (APRs), he says.

The Debenhams card, for example, is offering a 'Deal-Out' every month, whereby the value of 10 per cent of the cardholder's spending every month is given back in the form of vouchers usable within the store. Burtons intends periodically to introduce new benefits on the various cards.

Mr Chadwick sees different sectors within the storecard market growing at varying rates, and clearly feels there is a need for constant imaginative marketing.

As far as the thorny issue of high APRs on storecards is con-

cerned, Mr Chadwick does not foresee a wide tumbling in interest rates.

But he says: "The Save & Proper card (recently launched at competitive rates for a selected customer base) is an example of a low-priced product for a low-risk market. Retailers will have to consider this in-storecard, although in practice it would be difficult to apply."

Burtons has 2.5 million cards in issue, including the private labels, such as Laura Ashley, handled by its Welbeck financial arm. The next largest storecard issuer, Marks & Spencer, has 1.5 million.

Encouraging loyalty and creating a database for more effective marketing is seen as almost as important as profits to be made from storecards.

Storehouse, the holding company owned by Sir Terence Conran, chairman and chief executive, set up a joint venture called Storecard with Citibank in September last year to develop plastic cards as one of the key tools of a long-term marketing strategy.

The group, which includes Mothercare, Habitat, Heal's, BHS and The Conran Shop, has issued individual cards under the name Storecard, which, like the Bur-

tons cards, are usable throughout the Storehouse group.

"Storehouse decided to develop plastic cards as one of the key marketing tools in its long-term strategy for getting into financial services", says Mr Ken Gaskell, chief executive of Storecard. He expects Storecard accounts to number 300,000 by the end of December, with the number of cards exceeding that.

"We are in it to make a return on investment, but the database does allow us to measure and monitor what we are doing in the way of sales, and provides an opportunity to cross-sell within the group" he adds.

Dina Medland



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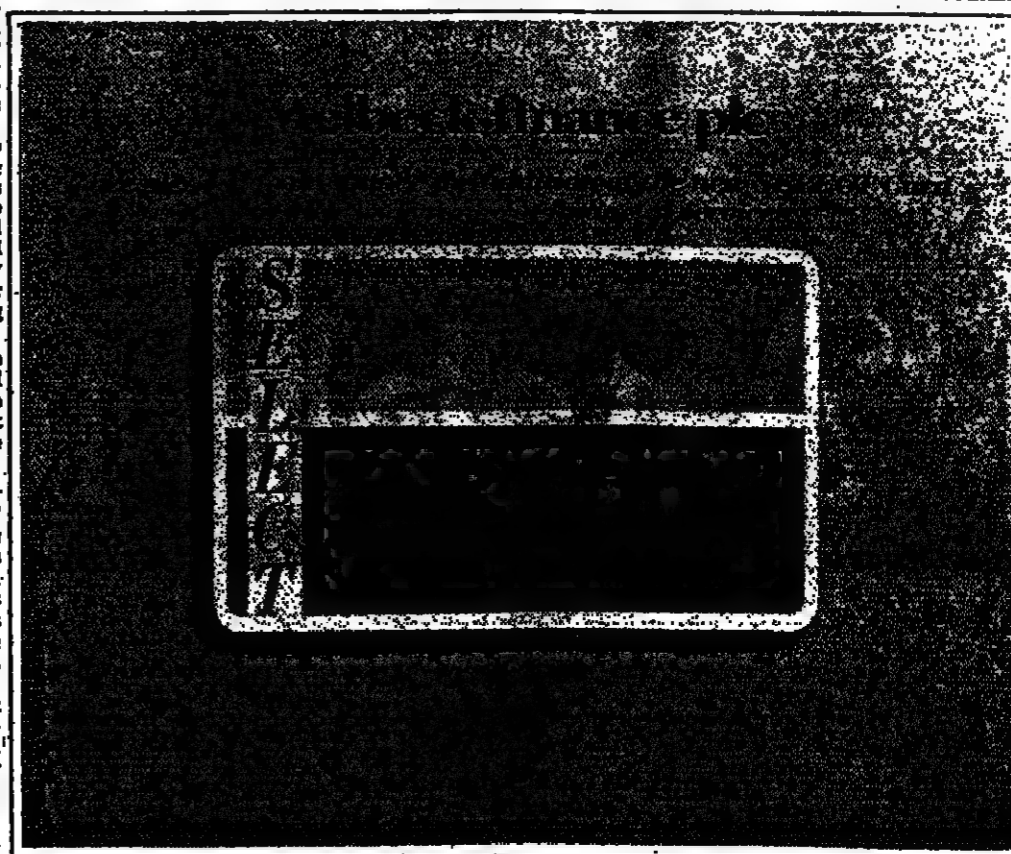
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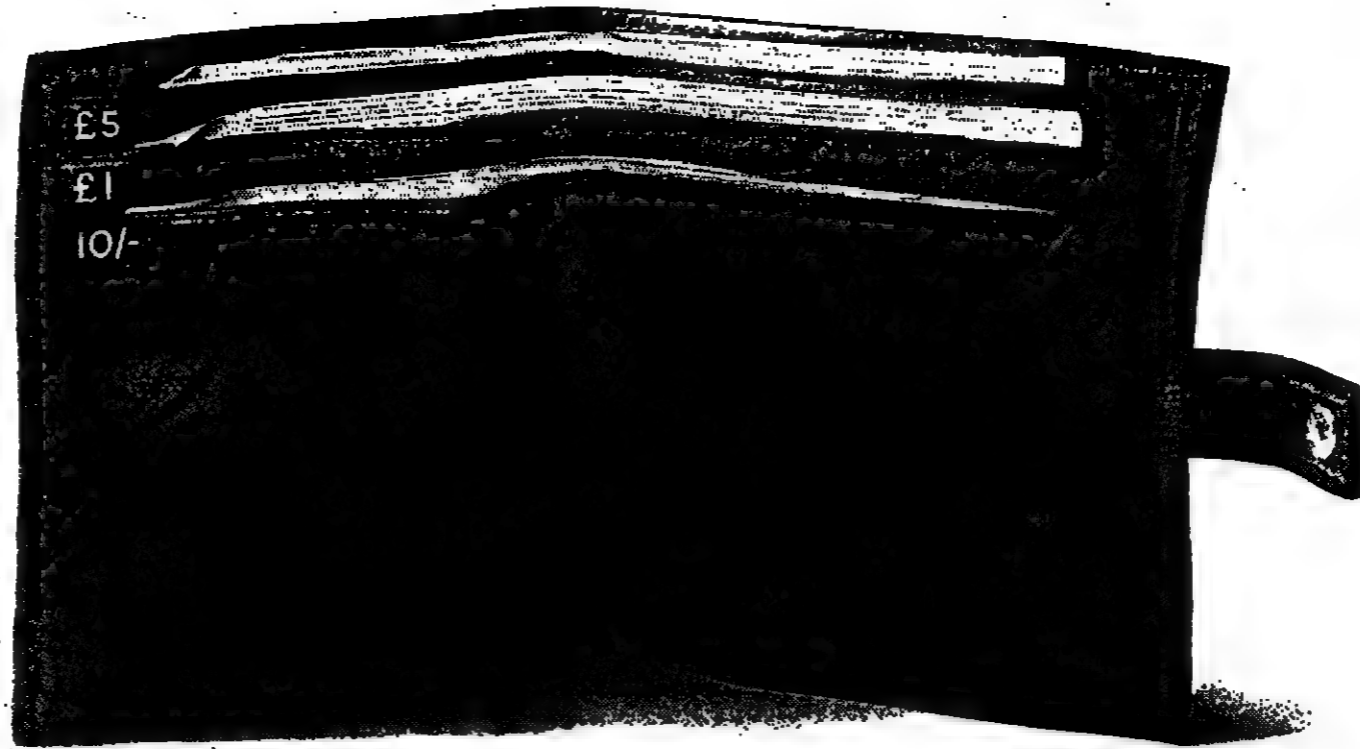
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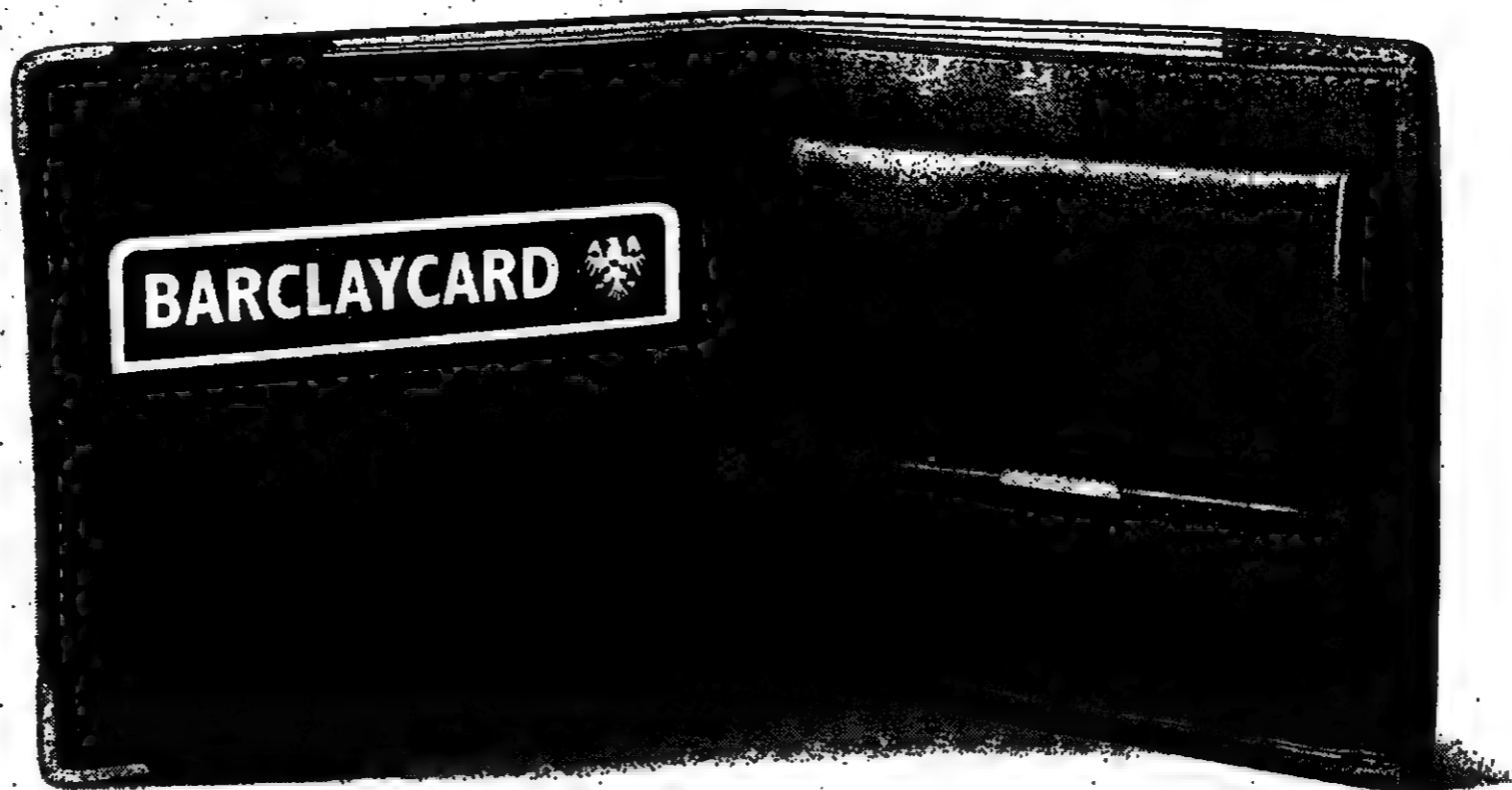
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Profiles, a loyalty scheme that rewards people for using their cards in preference to other payment methods.

And then there's our range of card-based systems, which are, amongst other things, retailing the way retailers retail. Our electronic point-of-sale PDQ terminals have reduced store queues and backroom paperwork, while Cardlink has provided many busy stores with an instant authorisation facility.

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PLASTIC CARDS 4

Charge Cards

The players start to cover their options

THE ARRIVAL of debit cards within the credit card industry is bound to pose questions regarding the appeal of credit versus charge cards - the former allow an extended repayment period, but charge interest, whereas the latter insist on payment in full at the end of a given period of time. Debit cards could, on the face of it, do away with the need for pure 'charge' cards.

While such a development does not appear to be looming on the horizon as far as the industry is concerned, American Express, one of the largest players, is covering its options. In March American Express Travel Related Services launched a credit - rather than charge - card called Optima in the US.

"Our research showed that a significant number of card members wanted us to provide some form of extended payment for a wide range of purchases," said Mr Aldo Papone, president of TRS.

The Optima card caused a splash by undercutting the cost of borrowing on plastic in the US and, according to American Express, received an enthusiastic response from the consumer.

By restricting the card's availability to existing card holders with "at least one year of card membership and a record of prompt payment", the company has also limited its risk.

There are no figures available as yet for Optima, but last year Amex TRS saw net income rise 16 per cent to \$599m, with 23.8 million cards in force at the end of the year. Charge card volume grew to \$83.6bn, up 15 per cent.

The arrival of the keenly-priced Optima has been greeted with dismay by other cardholders, not least because the blaze of publicity surrounding the launch of the card could contribute to raising consumer awareness in the US of considerable differences in interest rates on plastic.

In the UK, where Optima is not yet an option, some card issuers have long become used to the predominant use of their credit cards as charge cards, with the consumer paying his entire purchase off promptly, declining the revolving interest facility.

In such instances, cards such as Barclaycard and Access, which do not charge a membership fee, make their money largely from retailers accepting their cards. But there are also constant efforts being made to encourage people to use their cards more frequently, which could lead to their use as credit cards.

With the industry being investigated by the Monopolies and Mergers Commission for, among other things, allegedly providing "easy credit", thus luring consumers into debt traps, the card issuers are treading carefully.

Barclaycard, whose chief executive, Mr Peter Ellwood, has for some time been at the forefront of calls for caution in consumer lending, is turning down more applications for credit cards than it did a year ago.

But the company has also recently launched a scheme offering gifts to encourage its 8.5 million customers to use their cards more often. Mr Ellwood says the scheme is designed to persuade customers to use the card instead of cash, cheques or other credit cards, but not to encourage them to spend more money.

Barclaycard holders spend "something over \$100 a month each" with their cards, says Mr Ellwood. To qualify for the minimum free gift, they would have to use their cards to buy just under \$160 worth of goods a month.

At the moment, 49 per cent of Barclaycard holders pay off their credit card bills in full at the end of the month, a figure which has



American Express extending its charge card range

crept up from 40 per cent in 1985.

While existing players in the market consider new ways of beating the competition, the charge card function of plastic cards remains appealing for new entrants into the industry. In May a global charge card named Airplus, aimed at the business traveller, was launched by 18 leading European airlines.

Airplus aims to have 100,000 cards in issue with a turnover of \$18m (\$366.55m) in the first year, rising to more than 500,000 cards with a turnover of \$25bn in five years. Mr David Huemer, chief executive, says growth is currently on target, with issuers in nine countries, and major hotel chains and car rentals agreeing to take the card. "We are focusing on being

more than just a charge card, a service to simplify and support the business traveller," says Mr Huemer. The card will be used mainly for car rentals, hotel and restaurant bills, apart from airline ticket sales.

The cost of possessing an Airplus card will vary from country to country, but in the UK, British Airways is issuing them free for the first year. Thomas Cook has agreed to solicit cardholders for BA in the UK.

Mr Huemer maintains that individuals with other cards are still interested in Airplus, and argues the card will appeal to businesses on the basis that it offers greater control over expenses, as well as a wider service than just air travel.

Dina Medland

Automated Teller Machines

Queueing up for success

AUTOMATED TELLER Machines (ATMs) have historically been a staple of the banking industry - they will now become more and more of a utility, says Mr Peter Ellwood, chief executive of Barclaycard.

He was referring in part to the recent agreement by Europe's top retail banks to make their cash and credit cards compatible within three years, an accord that assumes the provision of ATMs by all serious providers of banking services.

The accord involves the 40 banks from 17 countries belonging to the European Council for Payments Systems, a body set up nine years ago by senior bankers concerned at the unco-ordinated development of personal payment systems across Europe.

It plans to allow more than 100 million cardholding customers from the banks involved to use services in 15,000 branches in the European Community, Scandinavia, Austria and Switzerland.

While acknowledging the need to set a deadline for the provision of compatible credit and cash cards, Mr Ellwood considers the three-year target to be a difficult one to reach. Despite the fact that all the major card organisations and Eurocheque already make their cards acceptable to ATMs in other countries, access between card systems is still limited.

The advent of ATMs has always looked to the creation of a basis for an international cashless shopping system, which would enable travellers to pay for goods and services abroad simply by wiping their cards through electronic terminals which automatically debit their accounts back home.

But technical problems and rivalries between competing card systems have meant that long delays have occurred in implementing the original scheme adopted in early 1985, which should have been completed last year.

A major step forward in the delaying process was taken in March, with the announcement of a tie-up between the payment terminals installed by Access and Barclaycard in the UK.

Holders of Barclaycards and Access cards are going to be able to use the same payment terminals, which are steadily proliferating in UK retail outlets, mainly food stores and service stations.

American Express is due to be tied into the Barclaycard-Access



Always plenty of customers for the Service

system, while a grander nationwide scheme for cashless shopping known as EPOS (electronic payments system) is also in operation. This has experienced difficulties, however, making its current rate of progress uncertain.

A third effort - by individual banks - to set up independent networks for cashless transactions draws further attention to the fact that the direction of the UK's electronic future remains uncertain.

Commitment to ATMs, however, is a fact of life for the industry, as is the substantial investment made in the technology. There appears to be little concern, too, over the prospects of reaping the rewards of that investment.

The investment in ATMs will be recouped by pricing for those who haven't got any - there will be a charge for using them," says Mr Ellwood, who suggests that those organisations that already have an ATM network in place will "help dictate control of the market and have an influence on pricing".

In the UK, card-issuers face the possibility of a more immediate controversy regarding ATMs, which have come under fire from the Office of Fair Trading. The OFT came down firmly

on the side of the consumer in June, when it recommended changes in the law on cash dispensers in the bank review, set up this year to decide whether there was any need to change the law on banking to bring it up to date with electronic developments.

The OFT is concerned to limit consumers' liability on lost or stolen ATM cards, which can currently carry unlimited liability for cardholders. It has also suggested that the burden of proving an ATM transaction should rest with the card issuer, rather than with the consumer, as it does at present.

Ironically, the OFT has also recommended that all ATMs should be capable of producing receipts so that the cardholder can have some paper evidence of any transactions.

While the timing of the arrival of an entirely paperless banking system is in some doubt, there is no question that ATMs remain the success story of the last few years. As many observers of the

industry point out, no one in 1967 could have predicted that today people in Britain would be standing outside in the rain to use them.

As the field of credit card business widens further, ATMs are likely to crop up in hitherto unlikely places. Peugeot-Citroen, the French motor group, recently entered the credit card business in a move expected soon to be followed by its main domestic rival, the state-owned Renault group.

OFT Peugeot's financing subsidiary, Creditpar, will be issuing the cards, which consumers will be able to use to pay servicing bills, purchase spare parts, or buy a second-hand car. As part of France's Carte Bleue national debit and cash card system, the cards will also be in a wide variety of venues, and to withdraw cash from ATMs.

OFT Peugeot envisages extending the cards to other countries where it has a large presence.

Dina Medland

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Smart Cards

Electronic key to many locks

"SMART CARDS", pieces of plastic the size and shape of conventional credit cards but with a complete microprocessor built into their dimensions are coming of age.

When the French inventor Roland Moreno introduced the notion of the smart card in the early 1970s, it was seen as a Gallic eccentricity, a piece of science fiction with little to recommend it besides novelty value.

Now all these signs are that smart cards will be the next stage in personal computing, electronic keys to a wide range of services.

The US Department of Agriculture has issued 60,000 smart cards to peanut farmers to help manage crop subsidy schemes.

Peanut farming is a highly subsidised business in the US and involves a mass of paperwork to record details such as crop size and quality. Now the farmer simply presents his card with his crop, the details are keyed in and read out at the time the subsidies are paid. The paperwork involved is vastly reduced and the farmers get their subsidy six months earlier.

Japanese electronics manufacturers are taking the smart card very seriously indeed. Toshiba has an order for some 15,000 'active' smart cards from the Visa organisation to be used in trials in Japan and possibly Europe.

Some researchers are suggesting that smart cards and their associated equipment will comprise over 25 per cent of Japan's entire electronics output by the mid-1990s.

Evidence of the rate at which smart card technology is developing, according to Mr Roy Bright, managing director of the European Marketing Group of SmartCard International, is the emergence of two different kinds of card - 'passive' and 'active'.

A passive smart card approximates to Mr Moreno's original conception. The card encloses both processing and memory elements, but contact with the outside world is made through terminals on the card surface. A separate device is required either to put data into the card or read it out.

An active card, on the other hand, is completely self-contained and can operate free of any external microprocessor and memory, but also a keyboard

and a minute display screen on the surface of the card. The difficulty in creating an active card lies in compressing all the elements into the traditional dimensions of a credit card.

SmartCard International has developed an active card - it calls it the Ulticard - which is only 3mm thick and will be commercially available in the first quarter of next year.

It claims this is quite adequate for applications as diverse as medical and insurance records. To perform as a bank card - that is, thin enough to fit into automated teller machines and cash dispensers - the thickness will have to be reduced to 0.76mm, and SmartCard reckons it will be able to achieve this by the end of 1988.

It is clear now that the French, who have been carrying out extensive retail trials with the smart card as a substitute for cash and cheques, were simply very early with a technology whose time had not yet come.

Although manufacturers like Bull of France may be recouping some of their investment from large orders placed by the US Government, it is unlikely that any smart card manufacturers are yet making profits from sales of cards or reading equipment.

Market analysts think this is about to change. They point to the potential both for card and card equipment manufacturers and for other organisations to make use of the card to solve competitive advantage.

Mr James Kobelius, for example, a research associate at the US-based International Center for Information Technologies, notes: "The smart card is quite literally an electronic key to any service that requires some sort of lock to admit only qualified users."

Potentially, the card can serve companies as a sort of 'personal transaction controller', mediating all transactions carried out through checkout terminals, automated teller machines, pay phones, personal computers and any other type of workstation."

He adds: "Smart cards, like personal computers, represent an application-driven technology that can weave its way into nearly every aspect of a company's activities."

Major changes in the perception of the potential of the smart card in the past few years are the result of falling manufactur-

ing costs and a new appreciation of the security advantages in smart cards.

Conventional magnetic stripe cards are very vulnerable to theft, forgery and corruption (the technique for writing data on a magnetic stripe card is exactly the same as that used in commercial tape recording).

Similarly, telecommunications networks set up to carry electronic payments - messages nationally or internationally are vulnerable to damage or to interference. (Cryptographic techniques are playing a large part in the development of the UK's cashless shopping network).

The smart card suffers from neither of these problems. It is well-nigh impossible to forge a smart card so complex is the electronics and software involved.

Furthermore it is completely self-contained - a portable and secure form of electronic money. Its validity can be proved simply by keying in a personal identification number. Of course, if a thief has both card and number, fraud is possible but every system has that weakness.

There are other technologies which offer a potential challenge to the smart card. One is the optical memory card, a development pioneered in the US by the Drexler Corporation.

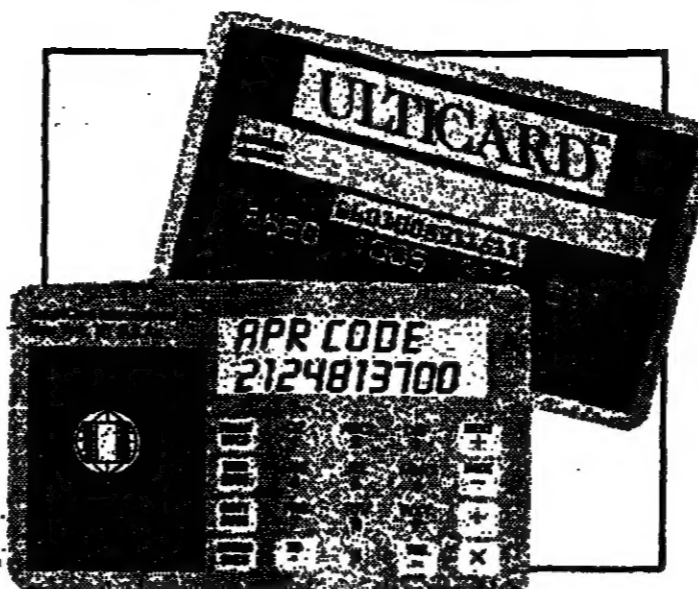
The concept is similar to that of the laser disc. Information can be written on a metallic surface as a series of minute pits burned into the surface using a laser beam. The information can be read back using a less powerful laser beam. Cards of this kind have the potential to store up to 16m binary digits of data - about eight million characters.

At present, the cards can only be written to once, but the capacity is so great that hardly any data is simply written on and obsolete information is discarded off and ignored by the system.

Mr John McCarthy of BPOC Ultracard reckons an optical memory card could cost \$2-\$3 after encoding compared with 15p - 20p for magnetic stripe cards.

Smart cards, despite their complexity, are comparable. Mr Ronald Brown of Post-News, an electronic banking consultancy, estimates \$3.50 for a 16 bit processor card.

Alan Cane



Right: Mr Roy Bright, managing director of European Marketing Group of SmartCard International sees two kinds of card developing, 'passive' and 'active'. Ulticard (seen on the left) is the active card and will be commercially available early next year but will have to be made thinner before it can perform as a bank card



Eftpos UK

Uphill struggle for universality

MOVES TOWARDS creating a nationwide electronic cashless shopping scheme over the last couple of years have been tentative, tortuous and the subject of much argument between those involved.

Now, just as Eftpos UK, the company set up by Britain's leading banks to develop such a scheme, seemed to be getting its act together, it looks as though the whole exercise may be torpedoed or, at least, seriously undermined by the banks which are supposed to be backing it.

Barclays Bank launched its own cashless shopping scheme in June, based on a debit card called Connect. Lloyds Bank is shortly planning to launch a similar card and other banks are likely to follow.

These initiatives call into question a central element of the Eftpos UK project - the universal debit card.

When Eftpos UK goes nationwide later in the decade, the idea is that the universal debit card will become the electronic replacement of the cheque. It will be a plastic card, looking much like any credit card, and will be used to buy goods in electronic terminals in shops, petrol stations and restaurants.

Although it will be technically possible for other types of plastic cards - credit cards, debit cards and charge cards - to be used in terminals that are part of the Eftpos UK scheme, the universal debit card is intended to be special. It will be the only card which has to be accepted auto-

matically in the terminals.

Institutions wishing to issue other plastic cards will have to negotiate with each retailer before their cards are accepted. For example, one retailer could agree to take all Visa cards but reject all Access cards; another retailer could do the reverse.

The decisions by Barclays and Lloyds are significant because their cards are being branded with the Visa logo. This is partly because the Eftpos UK scheme is not yet ready - the first trials are planned for the end of next year in Leeds, Edinburgh and Southampton.

What it means, though, is that long before Eftpos UK is up and running, at least two banks will probably have millions of debit cards in issue under a different logo - Barclays has already put out about three quarters of a million Connect cards. The question will then arise whether the banks are prepared to switch their customers out of a brand which they have worked hard to develop.

One factor encouraging them to make this switch will undoubtedly be the planned universality of Eftpos UK. An even more important factor pointing in the opposite direction, however, is that they may well be able to sustain substantial competitive advantages over other banks and building societies if they stick to a closed system of debit cards such as Visa instead moving to the sort of open system advocated by Eftpos UK.

In other words, if they choose to link all their systems to Eftpos UK, they will let their competitors in. If they remain separate, they will not be able to link in automatically to Eftpos UK, nor will their competitors be able to link automatically into their systems.



Barclays own cashless shopping scheme through Connect

to link all their systems to Eftpos UK, they will let their competitors in. If they remain separate, they will not be able to link in automatically to Eftpos UK, nor will their competitors be able to link automatically into their systems.

If, as seems likely, Eftpos UK is dwarfed in size by the schemes being developed by Barclays and Lloyds, the temptation to boycott Eftpos UK or, at least, attach very stringent conditions to participation in it will be great.

This is reinforced by the progress banks have been making in installing electronic terminals. Barclays has already installed 2,000 of its PDQ terminals and

Access (consisting of NatWest, Lloyds, Midland and Royal Bank of Scotland) has installed 700 of their Accept terminals.

There are plans for many more of these over the next year, and Access and Barclays have already reached an agreement so that Access and Barclaycard customers can use both Accept and PDQ terminals.

Again, it is likely that there will be many more of these terminals in place by the time the Eftpos UK scheme is in action.

These separate initiatives have several implications. First, the other large banks - NatWest, Midland and TSB - are unlikely to sit on the sidelines

doing nothing while Barclays and Lloyds build up customer loyalty. It seems probable they will also find ways of launching their own debit cards before Eftpos UK comes into operation - moves which would further undermine the national scheme.

Second, most building societies and smaller banks will be put in a difficult position. They have the most to gain from the universality which Eftpos UK promised to offer, because it would probably be difficult for them to opt out of the system and set up their rival schemes as Barclays has done.

It is possible, though, that Link and Matrix - two cash-dispenser networks run by societies and other financial institutions - could be developed as cashless shopping networks. And the three largest societies - Halifax, Abbey National and Nationwide Anglia - may choose to join Visa and could be large enough to set up their own rival schemes if they made a determined effort.

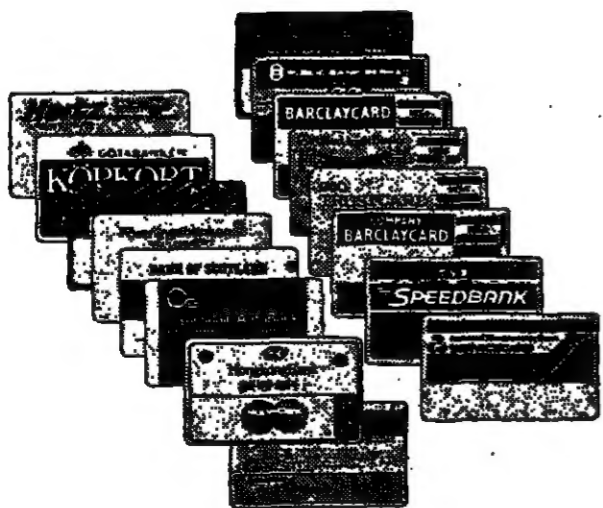
Either way, however, they will be starting the race late in the day and with a competitive disadvantage.

Third, retailers may not be too pleased. Universality is a great attraction for them and they will probably not want to have terminals installed in their shops which take some cards but not all.

The uncertainty over whether Eftpos UK will actually happen also makes their planning difficult.

Hugo Dixon

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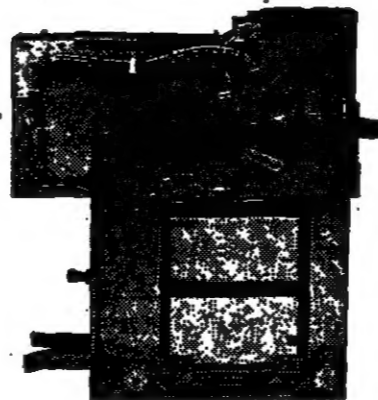
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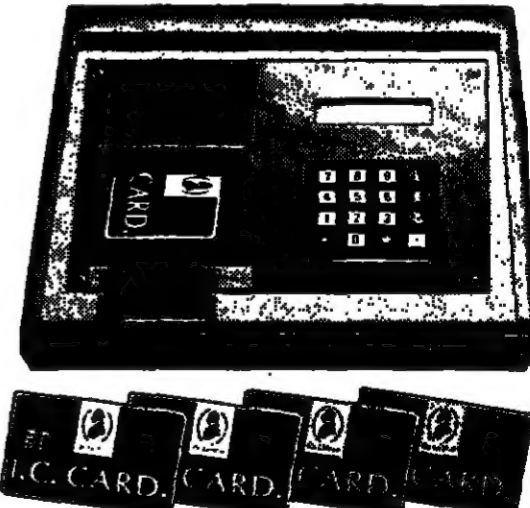
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PLASTIC CARDS 6

Combating fraud

Search goes on for a secure product

"IT TOOK", one consultant said wryly, "ten years for the banks to respond to the security problems of cheque cards. It looks like they could be making the same mistake again with magnetically encoded and chip cards."

Others believe this is far too pessimistic an approach, arguing that the financial institutions are very close to a significant step forward in the development of cards which can unambiguously be shown to be genuine and to have been assigned to a particular customer. It cannot be too soon. Losses from card fraud are already costing financial institutions millions each year.

What should be the essential features of such a card? Dr Robert Eby of Polaroid-USA Security Products (quoted in *The Smart Card* by Sarah and Ronald Brown) suggests a series of critical tests for a secure device or mark to be applied to a plastic card.

It should, he says, involve unique technology that cannot be copied by a fraudster either for technical or economical reasons. It should be possible to read the security mark with the naked eye, but there must be a unique microscopic structure that can only be identified by an expert.

It should self-destruct if attempts are made to alter it and it must be possible to customise it for each individual.

It should be possible to read it at high speed and capable of use with optical character readers. Finally, it must be capable of being manufactured securely, in volume and at low cost.

Two types of device stand out as fulfilling most of these criteria, the hologram and the integrated circuit. Combined together on a plastic card, they should offer as much security as is within reason, possible.

There are other factors, however. In the UK, there is, as yet, little interest from the banks in the integrated circuit or chip card. Midland Bank is carrying out a localised experiment with these "smart" cards at Loughborough University but the other banks seem chiefly to be maintaining a watching brief.

So it seems likely that the traditional magnetic "stripe" card will be used for some considerable time in the UK at any rate.

How can it be made more secure? A photograph of the user, applied in such a way that it cannot be altered or removed,

is one solution and the security printers De La Rue have developed a laser-based method of electronically imaging a photograph of a card owner so that it can be incorporated within the dimensions of the card - that is, within the protective laminations.

Both the photograph of the owner and an image of his or her signature can be encapsulated in the card using this technique.

NBS, which claims to be the world's biggest supplier of credit card printers, has developed a technique which seems, on the face of it, to be a big step forward in card security, but which its competitors find hard to credit.

It says it has developed a technique for scanning a photograph and turning it into binary digits (bits or computer language) which can then be recorded on the magnetic stripe of a conventional bank card.

Using a suitable reader, it says, it is possible to retrieve the image from the stripe and display it on a video screen. At the moment it requires the whole of the magnetic stripe to record the photograph, but NBS is working on techniques to improve further the extent to which it can "compress" the data, giving space on the card for storing numerical information.

What NBS's competitors find hard to believe is that the company has a technology which enables it to compress photographic data sufficiently to enable it to be written on a magnetic stripe. Mr Peter Cox, vice-president, marketing for NBS, explains that the engineers who devised the technique originally worked on image capture techniques for giant sports video screens, 50 feet by 30 feet.

The details, however, of how the photographic data is squeezed into such a small area remains a closely guarded secret.

Holograms are becoming decidedly more complicated. The original simple images are giving way to three dimensional portraits of the kind found on the new Eurocheque card. The latest Mastercards are embossed with large complex holograms.

When these hologram cards were first released, hologram companies claimed they would be easy to copy. There has, however, been little evidence of holo-

gram counterfeiting.

None the less, card specialists like Mr Osele Ismail, chairman and chief executive officer of Applied Holographics would like to see a move to reflection holograms which can be mounted into the structure of the card.

Attempts to mount an embossed hologram within the laminations of a card would simply result in its destruction, he said.

Applied Holographics is working on a way of combining a machine-readable code into both its embossed and reflection holograms. Combined with the customer's four-digit personal identification number (PIN), this could be used as the starting point in a calculation which would guarantee both card and PIN were genuine.

This approach can be taken to its logical limit in the integrated circuit, or smart card, where an entire computer is built into the dimensions of the card.

The computer can be programmed to carry out a complicated calculation on the PIN which should prove decisively if both PIN and card are genuine, in addition to its ordinary function of recording financial transactions and storing financial data.

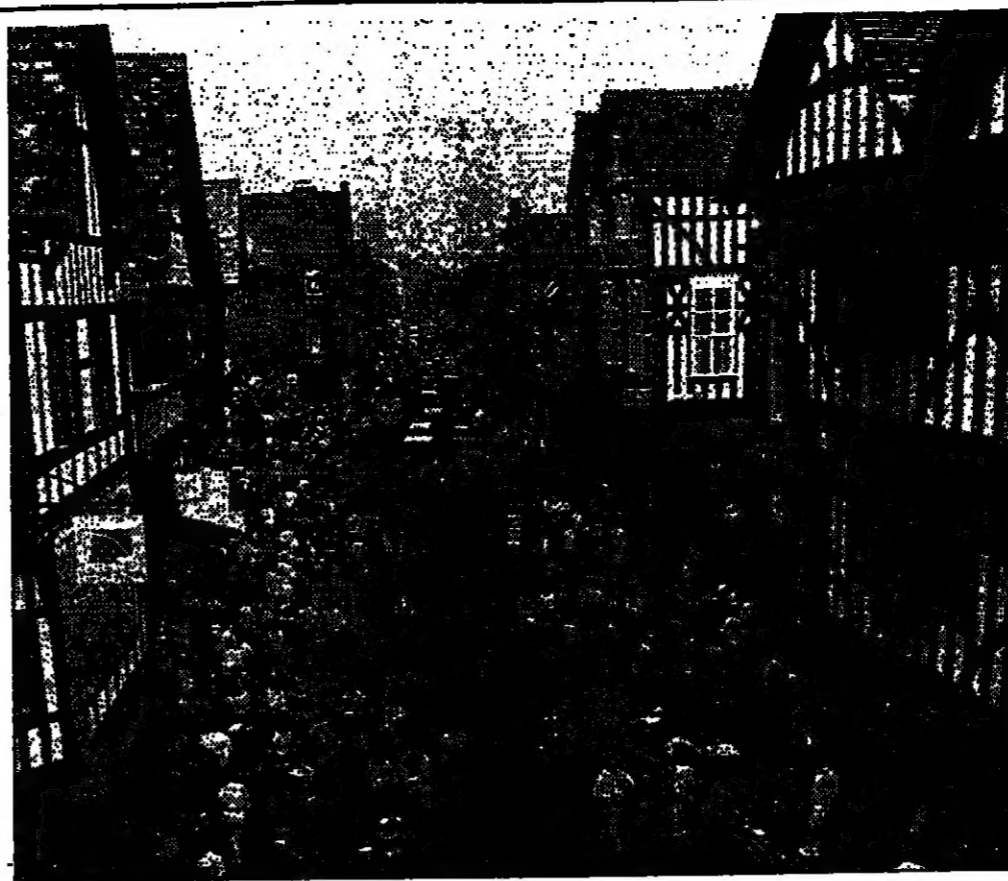
The smart card is probably closest to Dr Eby's vision of a secure product; it is, however, expensive. At present prices, it could cost \$5 or more to produce each chip card in volume compared to only 15c for a conventional magnetic stripe card.

The European Banks Payments Systems Organisation (EBPSO) is looking at four principal methods of security in machine-readable cards - high coercivity (very powerful magnetic fields used to write on mag-stripe cards) "watermarking" special codes written deeply into the mag stripe, MM-Key, an optical method developed in West Germany and the smart card.

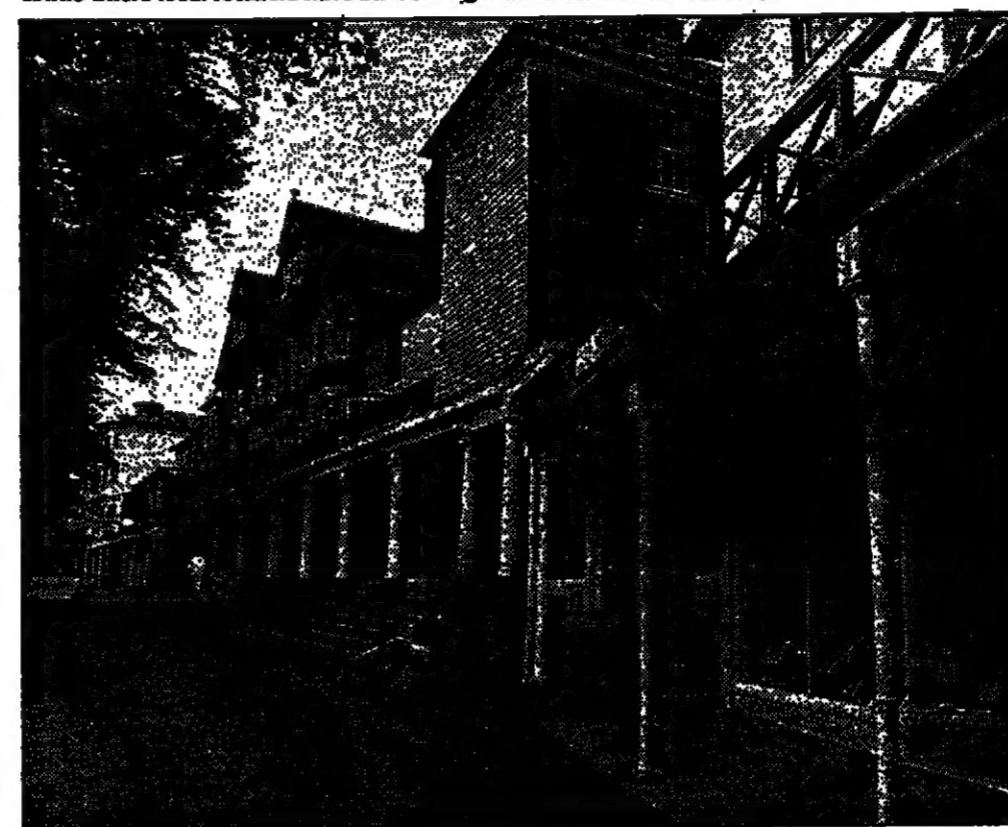
All offer extra degrees of protection against fraud and forgery. But there is no real defence against the fraudster with a stolen card and a correct, stolen PIN.

"It would be dangerous to say we could make a card that could not be counterfeited," Mr Ian Robson of De La Rue said. "We are in the business of building barriers."

The Smart Card. Sarah and Ronald Brown (Tel 0835 58245) Alan Cane



Busy shopping thoroughfare in Chester and (below) the Pavilions in Tunbridge Wells: two towns where local retailers have banded together to introduce local cards



Local cards

When loyalty helps to stimulate trade

THERE IS a new type of credit card which relies not on new technology but on that old-fashioned phenomenon, a sense of community. In the last two years, two towns and one city have developed their own local credit card.

The pioneer in this field was Wilmslow, a bastion of leafy suburbia ten miles from the centre of Manchester. Despite its proximity to the great conurbation, local residents have fought successfully to keep Wilmslow out of Greater Manchester and the town remains resolutely a part of Cheshire.

Wilmslow's high street is lined not so much with the anonymous facades of the multiple retailer, rather with the welcoming windows of butcher and music-shop, glazier and grocer. Comfortable though Wilmslow is for its prosperous residents, its shopkeepers have traditionally found themselves vulnerable to competition from nearby centres such as Macclesfield, Altrincham, Stockport and Manchester itself, all within easy reach of those who live in Wilmslow.

The idea of a local credit card was conceived some four years ago by a Chamber of Commerce eager to find ways of promoting Wilmslow and capitalising on the residents' undoubted municipal pride.

Two years ago, the Wilmslow Card was born. Two thousand people applied for the green card embossed with a flashing W hologram and 150 retailers agreed to accept it. Now there are 5,000 card-holders and 170 retailers. The scheme, according to Mr Paul Robinson of the Chamber of Commerce, has been an unqualified success.

"It has replaced many sources of credit with just the one," he said, "and genuinely stimulated trade in the town." Annual turnover runs into the "many millions" as local residents have moderated their desires to travel further afield for their shopping. Retailers - including the local Safeways store - have clamoured to accept it.

Although the card can only be used in Wilmslow, it is not limited to the 70,000 people living in the town. The application procedure is identical to that for a national card, although the interest paid if one does not clear one's balance within the credit-free period is slightly higher than for Visa and Access. The fee paid by the retailer is lower than the norm, at a flat 3 per cent of all transactions.

The card is administered and underwritten by Credit and Data Marketing Services, the plastic cards subsidiary of Littlewoods. The company ploughs a proportion of the fees it derives from Wilmslow's retailers back into the town's coffers.

Far from Wilmslow in terms of distance, but not in spirit, the burghers of Tunbridge Wells observed the scheme and decided to follow suit. Not so long afterwards, Chester did the same.

It is too early to say whether the success of the Wilmslow operation has been mirrored in the other two locations, or whether the cards will catch on elsewhere. But Chester, with a population of 500,000, and even Tunbridge Wells, with 80,000, are both substantially bigger than Wilmslow and for that very reason, may not be ideal hosts for a local credit card.

The sense of community may be lacking in the larger conurbation. This is often engendered by competition from other localities - and in the case of Chester and the Kent town, there may not be too much of this Chester, for one, dominates its corner of Cheshire and shoppers probably do not bother to go elsewhere. The 280 retailers who accept the card cannot represent the majority of shops in the City - and if not, why bother carrying a Chester card?

If Chester and Tunbridge Wells are different from Wilmslow in this way, all three places have one crucial factor in common. Sense of community apart, residents in all three are more prosperous than in most towns and it seems that the level of bad debts incurred on the pioneering local cards is very low.

David Walker

CREDIT CARD
PAYMENT OPTION AVAILABLE

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PLASTIC CARDS 8

Credit cards come under the scrutiny of the Monopolies body
Wider investigation urged

AS CONSUMER credit surged to record levels throughout Britain in the first half of the year, the credit card industry found itself under the scrutiny of the Office of Fair Trading.

Sir Gordon Borrie, OFT director-general, told the National Consumer Congress in April "it is certain that there are too many examples where credit is being over-marketed without proper checks being made on the likely ability of the borrower to repay."

As someone said to me recently of a certain department store - they are giving away credit cards like sweets," he added.

Sir Gordon's concerns prompted him to ask the Monopolies and Mergers Commission in May to investigate the credit card market. There was a prima facie case, he said, that banks, which are earning a return of 80 per cent on capital invested in credit cards, were making monopoly profits.

The Monopolies Commission has two years to prepare its report, the second this decade. In a report on credit card franchise services in 1980, the Commission was restricted to the relationship between credit card companies and retailers, but its terms of reference this time include the relationship between the companies and cardholders.

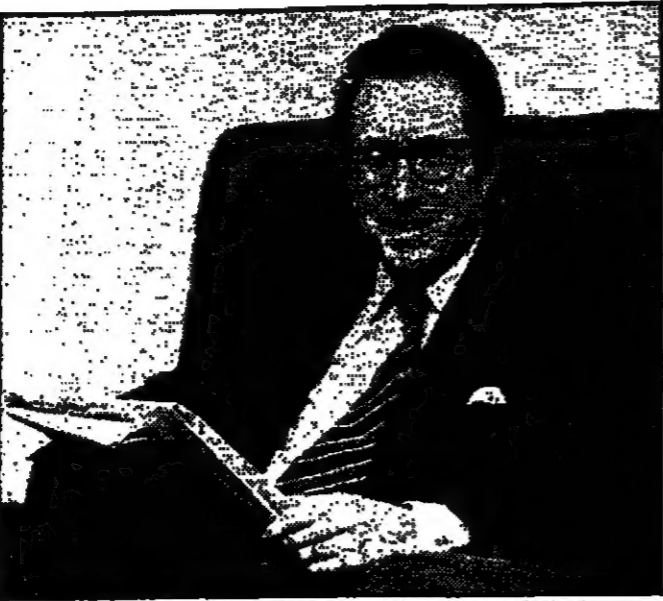
The 1980 report found that Barclaycard and Access had a monopoly, but concluded that they did not operate against the public interest. It recommended a ban, however, on retailers charging different prices to credit card customers and cash or cheque customers.

In the first such instance since the Second World War, the Government refused to implement the Commission's recommendation, arguing that it could be inflationary and was not justified by the size of the credit card market.

That market has since grown by leaps and bounds, with credit cards accounting for 6.5 per cent of consumer expenditure today, compared with only 3 per cent in 1980.

Further rapid growth is expected, with banking services to be allowed to issue credit cards and take part in electronic cashless shopping, subject to an amendment to the Building Societies Act expected to be debated this month.

(The Commission's terms of reference have been widened to include building societies and other institutions that choose to enter the credit card market.) Progress by the clearing banks



Sir Gordon Borrie, director-general of the OFT, checking up on the over-marketing of credit.

lowers nationwide cashless shopping also forms an important part of the background to the investigation, which is to concentrate on cards available for use in a wide variety of outlets - mainly Access and Barclaycard.

Barclays has aroused the interest of the OFT once by becoming embroiled in a dispute with retailers over the rates it planned to charge them for the use of its debit Connect card, the first in a generation of plastic cards designed to pave the way for electronic cashless shopping.

The dispute appears largely to have been resolved, with Barclays agreeing to negotiate a flat charge for the use of Connect and withdrawing threats to expel retailers refusing Connect from the Visa network, but the OFT is keeping an eye on developments.

While debit cards are just arriving on the scene, however, a growing form of credit-issued by large retailers in the form of store cards for use in their shops - and described by Sir Gordon as being given away "like sweets" - is not being investigated, retailers are on the defensive. Under attack for allegedly making credit facilities too freely available to customers, Britain's main retailers have formed a lobby group to counter some of the criticism.

Other credit card companies have taken the hint to tighten standards. Institutions issuing Visa credit cards in the UK, including Barclaycard, adopted a code of practice to reinforce standards for card applications and granting credit in June.

Access is thought unlikely to adopt a similar code of practice. Individual member banks are said by the joint credit card company to be responsible for setting their lending practices and policies, and not the organisation as a whole.

Since the announcement of the Monopolies investigation, the credit card market appears to have "widened", notes the OFT. The level of interest rates on

have been excluded from the investigation. He adds that he finds it ironic that the duration of the investigation is likely to coincide with a period of fierce competition within the industry in the UK.

Although he says Barclaycard has "nothing to fear from the report", he is clearly concerned about possible recommendations, and argues that it would be "wholly wrong for the MMC to start to tamper with market forces on the pricing of goods for the cardholder or retailer."

Despite the fact that storecards are not being investigated, retailers are on the defensive. Under attack for allegedly making credit facilities too freely available to customers, Britain's main retailers have formed a lobby group to counter some of the criticism.

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Since the announcement of the Monopolies investigation, the credit card market appears to have "widened", notes the OFT. The level of interest rates on

credit cards is one important aspect of the investigation, and any developments are likely to be watched closely.

Rates charged by Barclaycard and Access "appear to have remained high in relation to the level of and movements in bank base rates", the Commission stated in May.

While interest rates on credit cards in the US have traditionally been competitive, UK cardholders have generally had little choice about the rates they pay, except for circumstances in which rates are reduced for direct debit payments. Interest rates on Access and Barclaycard have hovered at 10 points over base or more.

But at the end of September, Save & Prosper, the financial services group, launched a cut-price credit card under the Visa umbrella, charging unpaid balances at 1.5 per cent a month (an annual percentage rate of 18.6 per cent) compared with the 1.75 per cent a month charged by most banks.

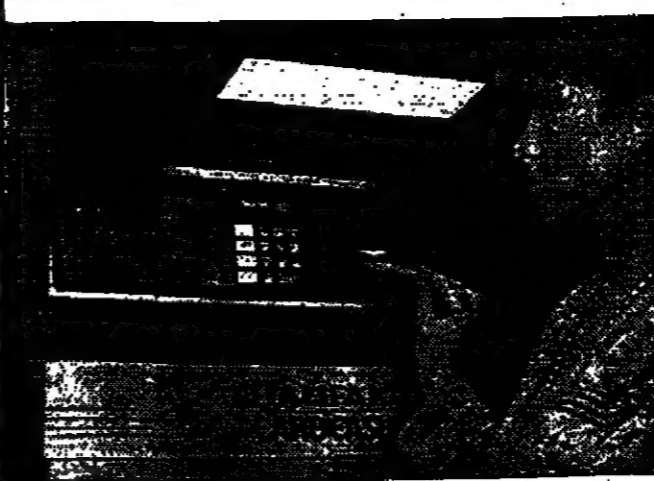
The card companies have long argued that their rates reflect the high-risk nature of the business, and the costs of combating fraud. Save & Prosper's Classic card is no different in that it is available only to homeowners in salaried employment who have not moved home or job in the previous year.

Mr Ian Lindsey, S&P's director of banking services, said his group's lower rate would put pressure on banks. The restrictions on holders of the Classic card would segment the market and enable S&P to keep its provisions for bad debts lower than those of other banks.

Eager entrants into the lucrative field of credit cards - such as building societies - are unlikely to lead the way when it comes to undercutting interest rates. Mr Mike Whitehouse, spokesman for the Halifax, Britain's largest building society, said recently: "The Halifax is moving into the credit card business in search of further profits, not to lose money. Why would we lower rates?"

Others can be expected to share his sentiments, particularly as most players in the credit card market argue that there is little evidence to support the view that the market in the UK for credit cards is interest-rate sensitive.

Dina Medland



Halifax and Abbey National, market leaders: wider choice seen for customers.

Building Societies

Money in the friendly card

CREATURES OF the 19th century, Britain's 140 building societies found themselves ushered into the modern financial world at the beginning of the year. The Building Societies Act allowed them to diversify from their traditional home loans and savings business into banking, insurance and estate agency.

In short, the Act enabled societies to enjoy a metamorphosis. Overnight, they could shrug off their antediluvian past and turn themselves into fully fledged financial conglomerates.

In keeping with this aggrandisement, the biggest societies planned to issue credit cards and take part in electronic cashless shopping. The government intended them to be able to do so, and the two biggest societies went ahead with plans to join Visa and Mastercard, the two main credit card companies.

Embarrassingly, both Halifax and Abbey National had to withdraw resolutions from their annual meetings asking members permission to go ahead. It turned out that the relevant section of the Act was poorly drafted and prohibited societies from this natural extension of their range of services.

The Act prevented societies from making unsecured loans of any more than £5000 to any one customer. However hard the society struggled to fix a credit limit of £5000 or less, it would still find itself in breach of the law if the customer found a way to spend £5000 before the society stopped him.

There was a similar problem with cashless shopping. The only way of preventing a customer from spending more than an agreed limit would have been to

insist that his every transaction be authorised by the society at the moment of sale. However, the system being designed for the UK by the clearing banks will not insist on that.

At the time of going to press, both problems are being addressed by Parliament and the Act will soon be amended to the satisfaction of both the societies and the Government. Later this month, Abbey will ask its members again for permission to proceed with its plans for plastic cards at a special meeting and the Halifax is likely to do so at its annual meeting next Spring.

There is clearly an abundance of credit cards in the UK, and some societies incline to the view that only the less credit-worthy individual would want an entirely new card, not having one of the other ones already. But the majors believe that they owe it to their existing customers to offer this service as part of a comprehensive package. And research shows customers will happily switch from the impersonal Access or Visa to a credit card bearing the name of a friendly building society.

The credit card is essential to the total portfolio of products, says Mr Alan Dunstan, marketing manager at Abbey National, Britain's second largest society with assets of £24bn and 8m customers. With many customers and more assets, the Halifax concurs. "Our customers will feel comfortable with a Halifax card," says Mr Peter Wood, divisional manager in charge of savings and investments. "They may ditch their existing card in favour of ours, or use ours as a second card."

Societies' diversification into

new areas of retail finance has clearly brought them into fierce competition with the traditional purveyors of bank loans and estate agency services. The same will happen when they issue credit cards, but they are coy about whether they will cut the very high interest rates payable on outstanding balances as a means to gain market share. It is likely that the societies will not be adverse to preserving the present rate structure. Office of Fair Trading investigation allowing - as a means of offsetting substantial start-up costs.

It is entirely consistent with the bigger building societies' aims to become financial conglomerates that the should want to be involved from the first in plans to turn the UK into a cashless society. Both Abbey and the Halifax intend to become a full member of EFTPOS UK, the company set up by the banks to implement and manage a national system for Electronic Funds Transfer at the Point of Sale.

Pioneers in the use of cash-dispensers (ATMs) to the initiated, building societies have already devised all sorts of ingenious ways of making a simple cash-card the key to convenience. A one-stop visit to the teller in the wall allows the customer to pay bills and standing orders, order statements as well as put money in or take money out of his account. The cash-card is being used as the basis of the first exploration of the more complex world of EFTPOS.

Both Abbey National and Nationwide Anglia belong to the Link consortium of institutions which allow an interchange of facilities for each other's cash-holders. Some two months ago, the Link group - which also includes the Co-op bank and the Girobank - instituted pilot EFTPOS schemes with two major retailers.

Customers can now use their Link cards to buy petrol at no fewer than 22 BP filling stations around the M25 motorway and buy groceries at two Sainsbury stores. In a transaction not ostensibly dissimilar to that when buying goods with the antithetical credit card, the Link card is "swipe-read." But there then ensues no extended period of free credit - in fact, there is no credit at all: the customer's current account is debited instantly, subject to the availability of funds.

Those involved say that it is too early to derive any useful conclusions from the experiment. "The fog is clearing very slowly on the whole issue," concedes Mr Brian Whitfield of Nationwide Anglia. Unlike the Halifax, which has eschewed all trials before the launch of EFTPOS UK, the Anglia element of the Nationwide combination set up a pilot scheme in Northampton some time ago. On the basis of this, Nationwide has signed up with Barclays Bank, which intends to install 6,000 direct terminals with retailers by the end of next year.

Needless to say, building societies are dabbling with the more exotic plastic cards - the so-called "smart-cards" and "chip-cards", for example. In their liberalised, twentieth century condition, building societies are keen to keep abreast.

David Waller

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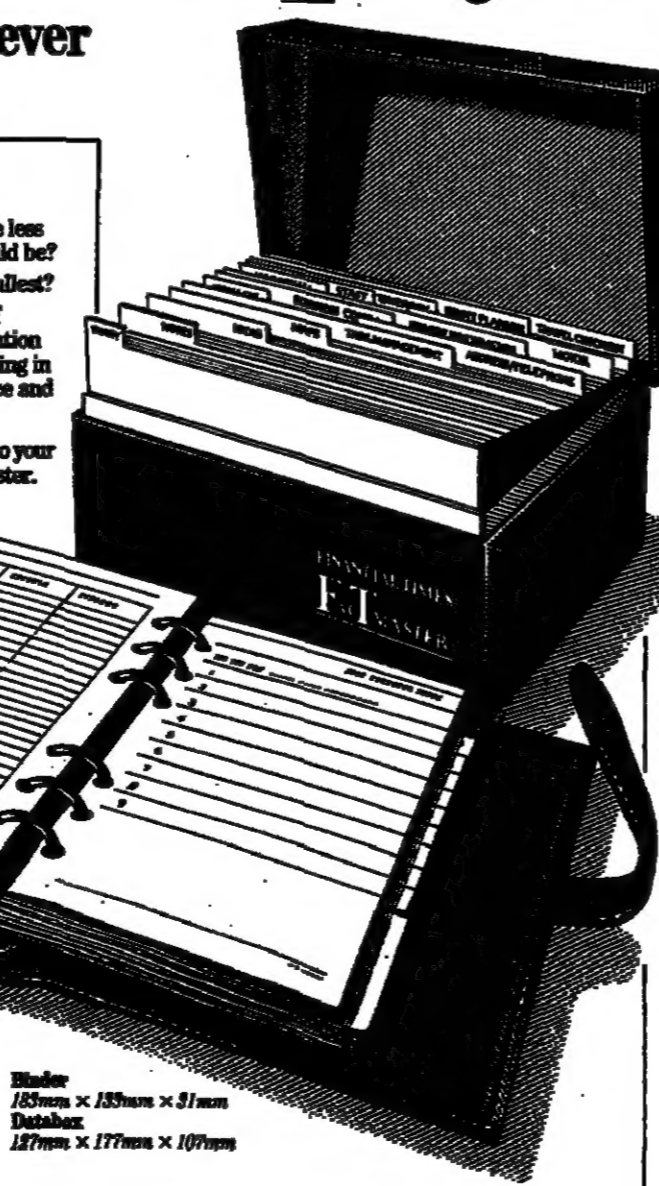
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